THE MAGAZINE OF WALL STREET

FEBRUARY 7, 1931

The Market's Next Move?

By A. T. MILLER

Installment Buying Has Fooled Everybody

By JOHN C. CRESSWILL

Semi-Annual Dividend Forecast

Part I

Railroads **Public Utilities**

Automobiles and Accessories

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WITH THE EDITORS

Don't Buy Quotations

"I AM seriously considering the purchase of 100 shares of ....," said a security buyer of the gentler sex (we won't call her an investor, under the circumstances). What do you think of it?

"Why did you pick out that particular stock?" we countered, curious to understand the reasoning in such a selection.

"It is so cheap, at these prices it must be an opportunity," was the astounding reply.

Shades of Abraham Lincoln! we thought as the axiom of the Emancipator: "Never buy anything just because it is cheap," came to mind.

We wonder whether it isn't true that many people are moved by similar psychology. Current prices are now relatively so low that many issues appear on the bargain counter. Compared to the high levels to which we all became accustomed in the years from 1926-1929, stocks do look cheap. And some are, but even so there is no common sense support for the practice of merely buying quotations, at this time, or any other time. It is the investment merit of the company which is of primary consideration before price enters at all.

Moreover, cheapness is a purely relative term. Because a stock once sold at 150 and now is quoted at 25 is no assurance that it will return to its former value or even approximate it. At 25 it may be cheap—dirt cheap—or it may be overvalued. It is impossible to say which, without careful investigation of the company's position and, what is still more important, its prospects.

There is a stock listed on the New York Stock Exchange which sold over 100 for a long time. It has an enviable dividend record and in fact is currently paying a liberal rate. Yet, it sells in the thirties and affords a very attractive yield even in these times of high return. But is this stock cheap? Is it cheap when investigation reveals that the high dividend is not being earned, that it can only be continued out of surplus for a limited time, that prospects in the industry while improving, can hardly be such as to provide any substantial increase in business during the months to come. Is it a bargain when the current attractive dividend may be reduced or passed within the year? These things the price does not say. It may convey the impression to some that it is cheap, but to those shrewd enough to look more deeply into the records and prospects of bargain level offerings, it is still too high.

There is grave danger in confusing low prices and buying opportunities. There are numerous issues which are sound, and fair yielding, but because of the large amount of stock outstanding, they sell at low figures. They are not necessarily cheap nor dear. For conversely, it is possible to pick out stocks selling over a hundred, some of which will be reasonably priced and others still inflated, or at least discounting favorable conditions yet to materialize. The true appraisal of values can only be achieved by investigation and analysis. You can't pick investments from the record of transactions in the newspaper.

Don't buy quotations, buy values.

Semi-Annual Dividend Forecast

Part I in this issue:

Railroads, Public Utilities, Leading Automobile and Motor Accessory Companies

Part II in the February 21 issue:

Leading Companies in:

Steel
Mining and Metals
Petroleum
Chemicals
Tobacco
Foods
Railway Equipment
Electrical
Agricultural
Business

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Associate Editor

Investment and Business Trend

Rocking the Boat—Absentee Leadership Is No More—Avoid the Dole—Business Has a Heart—Prosperity and Luxuries—The Other Side—The Market Prospect

ROCKING THE BOAT

WE agree that the veterans of the Great War, especially those who did not corral bullet-proof jobs at home, are entitled to preference over those of us who stayed at home, no matter what the reason for the home-staying. Our hats are off to the men who risked death and disability on the battle-field—also to those who stood ready to meet the great adventure. Therefore, we say the bonus insurance certificates should be cashed now in full at any cost to the rest of us, *if* it will really help the veterans. The difficulty is that the veterans are not in a water-tight compartment, shut off from the rest of the community. Their present plight is for the most part identical with that of their fellow-Americans. Any individual benefit to them will be of little real help if it injures the country as a whole. A few hundred dollars now is not of as much benefit to them as the injury that would follow a setback to financial and industry recovery. They need jobs more than a little cash. The flotation of 3,400 million dollars of bonds would be a far-reaching disaster at this time, far off-setting any short splurge that the spending of that much money might cause. It would cause the immediate cancellation of many state and municipal public improvement projects, it would destroy the bond market for corporation expansion and improvements, it would impair the value of outstanding government bonds, it would lead to increased taxation—all of which would be potent for prolongation of the business depression and joblessness. Moreover, it is in reality put forward not so much as a genuine relief measure as it is for the sake of cheap political favor with the ex-soldiers and still cheaper favor with the economic delusionists, whose views always become vociferous in hard times. It is quack relief, quack politics and quack economics.

ABSENTEE LEADERSHIP IS NO MORE

OUR advices from the golf links, from Palm Beach and Pasadena are to the effect that there is a great paucity of captains of industry at the nineteenth hole, the casinos and the beaches. We observe that it is no longer an event when a chief executive is discovered in his office. "Mr. Goldbucks is away on business" means just that. Gilt-edge salaries are being earned for the first time in years. Attendance at night clubs is not so indicative of greatness as once it was. Pretty near everybody who has a job is right on it.

Business is business again, in more senses than one. High-power brains are devoting more time and thought to increased productivity and cheapened production, and less to enjoyment of the pleasant rewards of success. Business by absence is over. The more or less fortuitous achievements of boom times are no longer accepted for present performance. Fresh records are in demand. All this is one of the many signs that business is going to improve. As swelled heads shrink bank accounts will grow. Absentee leadership has turned to on-the-job leadership, which is certainly the kind most needed right now.

AVOID THE DOLE

THE increased public expenditures, a treasury deficit and continued high taxation are the least of the evils of the riot of appropriations and disregard of the budget that seem to have fastened upon Congress. Worse, even than immediate liquidation of soldiers' insurance policies, would be the establishment of a precedent for the introduction of the abhorrent dole system into national legislation and politics. There is something worse than general hardship worked by a national depression, and that is national decadence. Britain is palliating present hardship at the expense of national decadence. The dole saves today but ruins tomorrow. There may be no choice for Britain, but there is for us—and the time to make it is now. . . . The President is right, and his opponents in Congress are wrong. Let the issue go to an extraordinary session, if necessary! Better an outright defeat on it than a compromise that encourages further undermining of the American system. How far we have slipped toward sloppy socialism already is evidenced by the fact that the Red Cross, that great private agency of relief, asserts that it is adequately meeting the situation without assistance from the public treasury.

BUSINESS HAS A HEART

A HARD-BOILED friend says that the American business man is getting very, very sick of idealism and altruism in business, especially since it has begun to cost a twinge or two to do homage to them. Yeah! But how about the brave fight being put up by many of our greatest executives to maintain the wage standards despite the sardonic smiles of hard-boiled economists? Even if you say it is nothing but far-sighted hard-headedness we say it reflects a vast broadening of outlook. We believe that the growing responsibility of big business for the welfare of the millions who are utterly dependent upon it is creating a deep sense of obligation.

Take the case of one of the big tire companies which has inaugurated a permanent policy of building up a reserve for labor as well as for shareholders, for wages as well as for dividends in times of depression. Many other companies are actually dealing with or approaching the problem of sustained income for their employes, in this and other ways. What a change from the heartless old days when labor was treated exactly like power—to be turned out and off without a qualm with every slackening of business, and left to shift for itself in misery and despair!

PROSPERITY AND LUXURIES

NOW and then some completely defeated defeatist rises in a high place and solemnly warns us that hereafter we must forsake our motors, our radios, our electric refrigerators and numerous other so-called luxuries and go back to the simple life of existence without expense. That, they say, is the road to the restoration of prosperity and its retention. The great idea is for everybody to save and nobody to spend. The detail of how savings are to be extracted from dead business is passed over as of little consequence. American prosperity is founded on higher and higher material standards of living. That means the increasing gratification of wants and desires, which is turn means more and more of the luxuries and novelties. Trade in the essentials of mere existence will never lift us out of depression, we must have some measure of demand for the luxuries and non-essentials.

THE OTHER SIDE

DESPITE the growing gloom that encompasses the outlook for some sort of commercial union of Europe, it is the only hope of a brighter future for that continent. On general principles the broad view is that any improvement in the economic position of Europe will inure to the advantage of America. But if the Mother Continent prefers weakness in disunion, we will have to make the best of her decision. An international banker tells us that that while we have nothing to fear from any tariff readjustments that might arise from an European union there would be an industrial consequence that would give us pause for thought, and a lot of it. As sure, he says, as night follows day, freedom of trade in Europe would, by virtue of the immense home market it would supply its manufacturers, result in such a growth of mass production as would enable Europe to keep out our products more effectively than sky high tariffs. Not only that, but our mass production specialties, now so supreme, in the penetration of other markets would be met by deadly competition throughout the world, even here at home. . . . After that we begin to lose interest in saving Europe from itself.

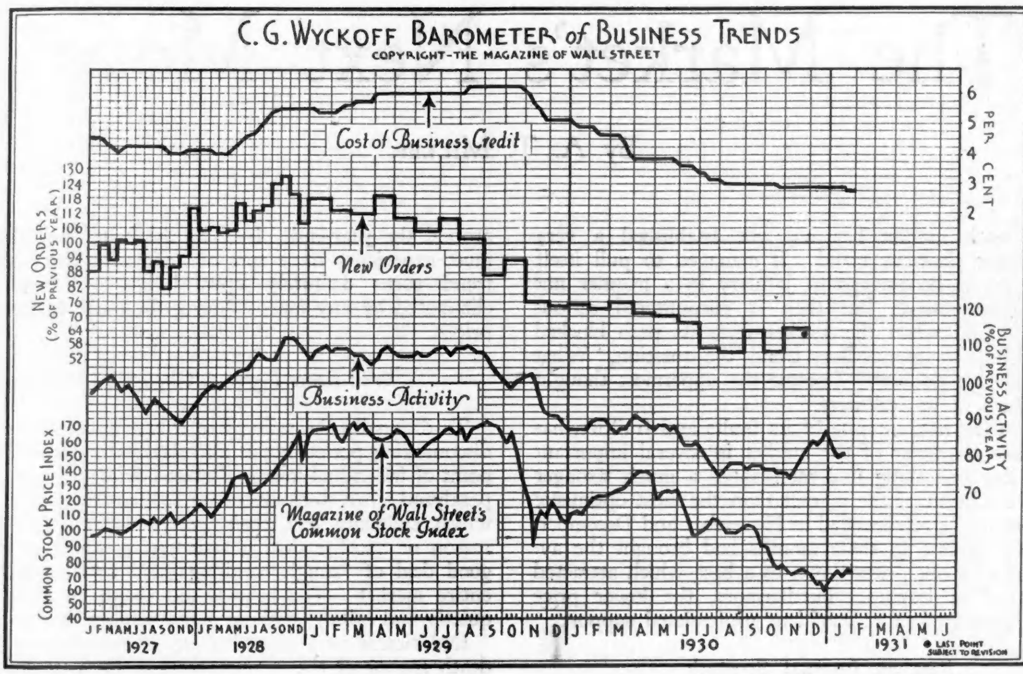
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 472. Readers are reminded that our latest market advices appear in every issue of the Market Prospect or in the leading market article.

Monday, February 2, 1931.

Taking the Pulse of Business

Sentiment Improves Although Little Tangible Progress Yet in Evidence



AFTER making suitable allowance for the fact that it is quite normal for manufacturing activities to pick up at this season, one is driven to the conclusion that business gains of a cyclical character so far this year have been confined chiefly to improved sentiment among recognized industrial leaders and to further strengthening of the foundation upon which the revival of business must be erected.

The process of debt paying, which is an essential contribution to the foundation of recovery, made good progress in the commercial field last year and is now manifesting results in the rapid reduction of security loans to the lowest record since the crash of 1929, and in the extremely low interest rates currently obtaining for credit accommodations of all classes and maturities. With time and call money and bankers' bills all down to 1½%, and commercial paper in demand at 2¾%, further reduction in the New York discount rate begins to appear possible. The estimated increase of a billion dollars in savings bank deposits last year brings further evidence of the substantial progress already made in setting our financial house in order; though the favorable import of this development is somewhat modified by knowledge that a considerable portion of the increase, notably in New York State, comes from special deposits by corporations in quest of higher returns on idle funds than can be secured in the open market. In view of the prevailing low level of interest rates, it appears that large accumulations of surplus funds, now held by corporations, banks, and other institutions, would soon be forced to find employment in the bond market, were it not for the overhanging pall of the proposed huge Government bond issue to cash the soldier bonus.

Enough reports on New Orders are now at hand to warrant the expectation that no important change in either direction will be disclosed by the next point on this highly significant barometer; though a small increase now seems more probable than a decrease. This failure to evidence definite gain ties in with the observation that the normal seasonal pick-up in business is proceeding at a more leisurely pace than last year. The fact that plants have been unusually slow in resuming operations after the holiday shut-downs is shown by a sharp drop in our Business Activity barometer during the opening fortnight of the new year; and while the latest point on this curve shows a slight upturn, there is as yet no conclusive evidence that the reaction has been permanently arrested.

All of which is confirmed by the behavior of the common stock index which reveals some strength on improved general sentiment, yet is restrained by the uncertainty of the near term business outlook, the annual statements and adverse political considerations.

¶ *Must the Market Break Before Rising?*

¶ *What Basis Do Stocks Have for an Advance?*

The Market's Next Move?

By A. T. Miller

THE stock market has not yet established a very definite, clear-cut trend. It managed to pull itself up by its boot-straps in January in a manner not entirely unimpressive, but then it encountered serious obstacles. And when the market finds its path blocked after a change in intermediary trend, the question, "What will the market do next?" become the uppermost thought in the minds of its followers.

The January rise, in spite of its faults and frailties, has changed the character of the market in several important aspects. For one thing it demonstrated a much stronger technical condition of the market than the most optimistic observer would have conceded in November and December. The steady decline in these months had brought the average level of stock prices down to a base which attracted a good deal of buying. Furthermore, the lower price structure permitted more confident professional support.

Rise on Internal Strength

In the meantime, stock market loans continued to be deflated both in dealers' accounts and loans made by investors directly at the banks. With improving sentiment after the turn of the year, the day-to-day declines failed to bring out stock in anything like the manner witnessed a number of weeks previously. Consequently, the market came into a rather obviously over-sold condition in its normal reactions and traders experimenting on both sides of the market became convinced that the path of least resistance, for the moment at least, was upward.

Irrespective of one's views concerning the more or less immediate outlook for stocks, it would be well to recognize that the early year advance reflected only internal market strength—or in other words, that there was no change in industrial conditions on which to base the rise of stock prices. This view, expressed in our previous issues, was further confirmed by the performance of the market itself.

Technical market strength spends itself on an advance. And with investors unwilling to discount business prospects very far ahead, it required something more than internal strength to carry the market through the barriers which have confined it within a comparatively limited trading range in the past few weeks. And this outside stimulus was absent at a time when the market needed it badly.

In a sense, the upper stretches of the market's trading territory have been explored more extensively than the lower levels. There are many participants in the market at present who would feel far more confidence in the advance after they had an opportunity to witness an important test of the low levels which were established at around the year-end. In fact, the belief that the market must experience some sort of "climax selling" before the trend turns definitely upward has not been entirely eliminated by any means during the early weeks of rising prices.

Will Bears Fight A Change In Trend?

Traditionally the tail-end of a bear market is not only a discouraging period but is also devastating from the standpoint of individual losses. Public buying power is virtually paralyzed when stock prices are at their lowest ebb. Stocks, which suddenly lose their professional support for one reason or another during such trying times, experience a good deal of "rough handling" and tend to unsettle the entire market. The bear is too tough an animal to die quietly and calmly, without a few mighty spasms of agony.

Old timers who have had some experience with these death spasms of the bear markets in the past are not particularly anxious to deal with them again, no matter how attractive trading opportunities may seem to be in the meantime. And this clique may be expected to exhibit a pretty vigorous distrust of any change in trend that is not accompanied by this so-called "climax selling."

One must concede, therefore, the possibility of an important test of the "bottom" so far on the record. A considerable amount of financial wreckage has been thrown up by the severe decline of the past fifteen months, which must be cleared away in time. The bear party, or at least some factions of it, have a fat roll of market profits with which to fight any advance, if they wish to do so. Industrial and business conditions may require further revaluations for the market as a whole during the early months and will certainly require a number of individual revaluations. A good deal of "bad news" from last year is still hanging over the market in the form of annual statements. All of these factors represent real difficulties for the constructive interests in the market. Undoubtedly they will contribute further to the irregularities which the market has already experienced.

From the standpoint of market strategy, it would seem ill-advised, therefore, to attempt to push the market through its rather well defined resistance point in the upper ranges of the January trading area. If stock prices drift lower, there is a very sizeable volume of potential investment buying to take stocks out of the market and thus lay a stronger foundation for a future advance. At the present time, however, much of the potential investment buying has been "kept out" of the market because prices are not sufficiently attractive to satisfy the yield requirements sought by these buyers. Among the low priced issues and

the secondary stocks, deflated prices have induced considerable accumulation. A logical procedure here, would be to permit the so-called blue chip issues to fall back to the natural support levels at which investment buyers, both private and institutional, will be willing to make their commitments for long range retention. And there are reasonably good prospects, we believe, that a period of generally drifting stock prices will culminate in a sufficiently severe break to satisfy the requirements of side-line investors. Such a break would undoubtedly have a tendency to unsettle public confidence while it lasts, and for this reason, if for no other, one may expect its duration to be far more brief than its amplitude. Should any such break in prices develop in the not distant future, investors would be well advised to utilize a portion of their funds and place their buying orders with confidence of a real opportunity for a later up-move of some duration.

Shorts a Double Edged Sword

For there are numerous technical market factors which indicate that a February break would give the market a good foundation for a subsequent advance. For one thing, the short side of the market has become just a little bit too popular to suit some of the more powerful professionals. Heretofore, there has been ample opportunity to cover short contracts on the reactions, without noticeably upsetting the equilibrium of the market. In recent weeks, reactions have attracted smaller traders to the short side of the market. And in the meantime, stocks held in weak hands have been liquidated more and more as time goes on, with the result that volume falls off on declines and the short sellers are apt to crowd each other a good deal when they attempt to buy stock at the lower price levels.

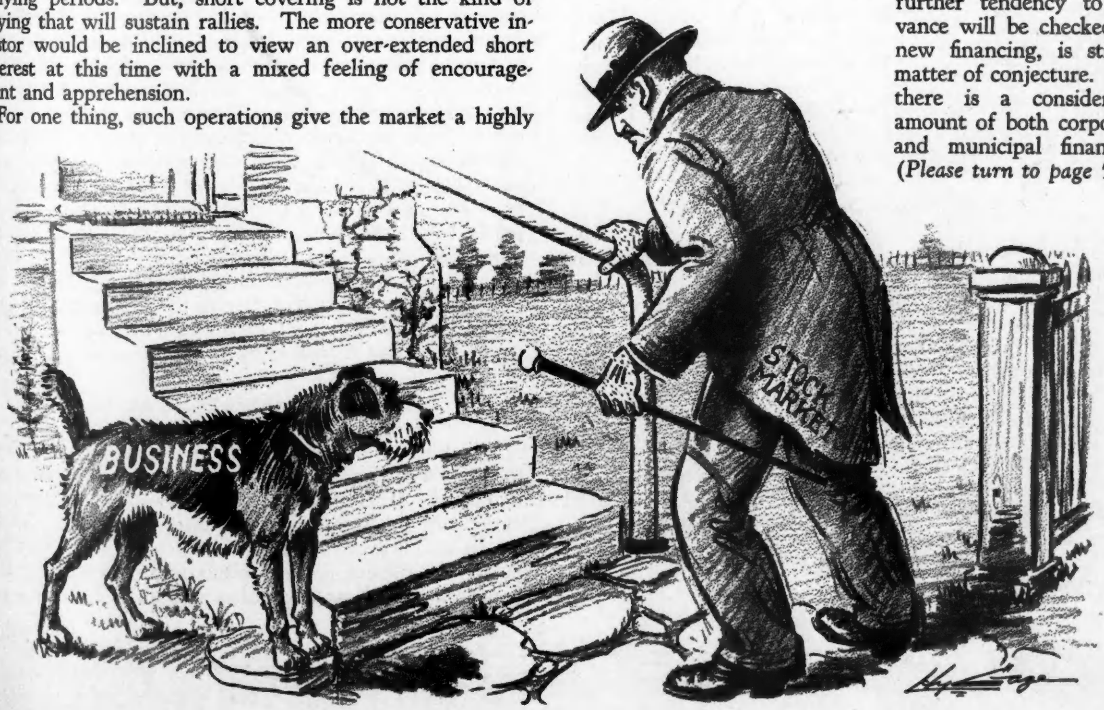
A number of professionals have been reported to be quietly drawing in their lines, presumably out of a sense of sheer unwillingness to play the game with unwelcome company. And there is little doubt that shorts, both large fry and small fry, have contributed somewhat to the bouyancy of some of the more vigorous of the January rallying periods. But, short covering is not the kind of buying that will sustain rallies. The more conservative investor would be inclined to view an over-extended short interest at this time with a mixed feeling of encouragement and apprehension.

For one thing, such operations give the market a highly professional character, with trading interests dominating over investment considerations. At this stage of the market's career it would be far more constructive if prices would yield to levels that are more nearly in line with conservative investment values. Artificially sustained prices would attract too large a short interest and thus create undue pressure on the market in its vulnerable stages in order to obtain cheap stock for covering purposes. At best the short interest is a double edged sword, with dangers both for the long interests in the market as well as for the short sellers individually and collectively as long as the present deadlock lasts.

The basis for a rise in the stock market is admittedly more obscure than the prospect of a further break in prices, if for no other reason than that the rise has lost its professional support and its amateur following. At best, further advances would seem to hang on technical market considerations. On the approaches to the "ceiling" which now seems to be hanging over the market, a good deal of stock is being taken in by professional interests. A moderate amount of investment buying, particularly in the secondary issues which seem to have completed their deflation during the 1930 decline, tends to make the market easier to lift, although buying of this character is not the sort of stuff that a bull market is made of. There is too much obscurity in business conditions at the moment to inspire any special urgency for buying stocks, either for trading purposes or for longer investment retention.

Heavy Volume of New Issues

In the meantime, what started out to be a vigorous advance in bonds earlier in the year has turned into a rather reckless race among banking firms to place a long list of issues on the market which have been held back during the latter part of the past year. Already this steady stream of new offerings has diverted investment buying away from the seasoned issues and taken the buoyancy out of the bond market. Whether this will prove to be merely a breathing spell in the senior security market or whether any further tendency to advance will be checked by new financing, is still a matter of conjecture. But there is a considerable amount of both corporate and municipal financing (*Please turn to page 522*)



Installment Buying Has Fooled Everybody

Consumers, General Business, Credit Structure and Business Cycle All Affected In Unexpected Ways by Meteoric Expansion of Personal Credit

By John C. Cresswill

BUSINESS writers and economists who specialize on the sinister and are always finding some new bogey to develop when old ones peter out have long predicted that whenever this country ran into a veritable stem-winder of a business depression it would present a picture of millions of victims of the "uneasy payment plan," prostrated by mortgaged futures and tortured by hosts of devilish collectors intent upon extracting the last agonizing cent due for various sorts of dead horses in more or less advanced stages of decomposition.

The stem-winder of business depression has been with us for a year. During the first part of the period the gloomy critics were happy in anticipation of the satisfaction of their prophecies. But as the months have gone by the denouncers of the installment credit system have become inarticulate and the defenders have become decidedly aggressive.

In the dull and discouraging year of 1930, despite 5,000,000 unemployed, unparalleled drought, bread lines, and 1,120 bank failures, installment buyers have liquidated the debts incurred during the "wild" year of 1929. And the number of "repossessions" and the amount of final losses has been very small—not greater in fact than the average for the five preceding years.

What, No Failures!

There has not been a single failure, so far as known, among the thousand or more finance companies engaged in handling installment purchase paper, and installment sales are going on, the finance companies report, on a scale of curtailment that is only about the same as that of general business activity.

The way in which this characteristically modern method of transacting business has weathered the storm has evoked much searching examination of and reflection on the whole theory and practice of the plan, with a view to determining just what part it is playing in the modern business world and more particularly what have been its effects on the: (1) consumer; (2) business in general; (3) the credit structure, and (4) the business cycle.

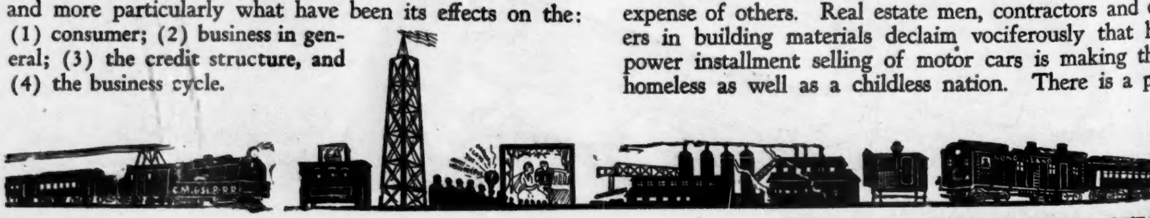
Installment buying will never loom large in any country where the masses of the people do not have incomes considerably in excess of the cost of subsistence. Whereas in the United States subsistence represents only 30 per cent of individual income, leaving 70 per cent for rent and other purposes, the figures are almost the reverse in Europe.

Installment buying has been called the mortgaging of future income. But you can't ordinarily mortgage what you don't possess. Any system of credit is open to the same classification, and installment selling is in considerable degree nothing but the regularizing of consumer credit, as applied to specific articles. As commonly practiced, however, it varies from open credit in that whereas the latter is more or less reluctantly granted to the ultimate consumer, installment buying has come to be deliberately thrust upon him for the purpose of getting him to buy what otherwise he might or would not buy. Installment selling is an organized effort to stimulate the incurrence of debt. It stimulates the satisfaction of needs and desires by recourse to future income.

In the long run it cannot of itself increase the total buying capacity of the people as determined by their income. It has no magic capacity permanently to increase the total of consumption. It has ruined thousands of people and will ruin thousands of others—who might or might not have been ruined anyway. That represents its abuse, which is partly the fault of the merchant, particularly of the type who used installment selling to excess in 1929 and so saturated his market. The buyer, however, is by no means guiltless in the situation. But in the long run poor credit men and stupid buying cannot endow people with an ability to buy more than they earn or receive.

Abducting Consumers

What the wide extension of installment buying does is to divert a certain volume of consumption from some goods to others. It benefits some industries and trades at the expense of others. Real estate men, contractors and dealers in building materials declaim vociferously that high-power installment selling of motor cars is making this a homeless as well as a childless nation. There is a prob-



ability that it has a tendency to reduce savings and investments. In other words, it stimulates spending to the detriment of saving and accumulation, and puts a premium on improvidence.

Thanks to the installment system, say some of the Jeremiahs, the American people are being hustled through profligate lives to welcome graves. There is no way to answer this indictment beyond citing the fact that savings, life insurance and the wide distribution of securities have actually gained in total throughout the period of installment buying's meteoric rise. That, of course, is not to say that it has not promoted spending at the cost of saving. As for the vast number of installment fans who have not been ruined by their experiences the question of whether buying on the installment plan has been a curse or a blessing they only, and individually, can give the answer.

Installment Selling vs. Installment Buying

On the whole, installment selling has probably made life more tormenting to foolish people of limited means. But the foolish, we have always with us. They will never rescue themselves, but *installment selling* is coming to protect them against *installment buying*. The good, old days when a shopkeeper would load any purchaser up to almost any limit are gone. Making an installment contract is coming to be a business confession of ability or inability to pay.

A misconception of the nature of installment purchasing is accountable for the dire prophecies of disaster to business resulting from its wide use. The idea was that somehow installment buying was cumulative, that it was a steep and slippery road to personal bankruptcy, at the blind end of which there would be a grand crash of personal wrecks that would shake business to its subfoundations. Barring the sad fates of many individuals the broad fact is that installment debts are always in the process of liquidation as well as of creation. As stated above, the total amount outstanding at any time is definitely limited by the aggregate incomes of the buyers. The installment plan does not create credit out of nothing.

Judging from the experiences of 139 finance companies engaged in the business of financing installment selling, not more than ten per cent of installment debts incurred during the spending-spree year of 1929 remained on the books at the end of gray 1930. Paying the piper may have been a sour business, but it was accomplished. Moreover, people are not incurring such debts now on the extravagant scale of other years. Frozen credit has not resulted to a significant extent. People have not as a whole been hurried into hard times with obligations they could not meet, although in meeting them their current buying has been somewhat curtailed.

While the curtailment of installment buying seems roughly to be in line with general business curtailment, this is to be said; if there had been no installment system consumer buying would have been less in the fat years. It undoubtedly stimulated the industries of which it is characteristic (but that is what it was for) and it caused other businesses to be less prosperous in the flush times. Being jacked up to dizzy heights the businesses that prospered when people felt assured of incomes to mortgage have had further to fall and have hit bottom harder than otherwise would have been the case. By the same token other lines of business crashed less violently.

Business crabs used to argue that personal installment selling was no more respectable in credit circles than a policy game in high finance. It was not productive credit, they argued, but rather destructive, because the minute after it was granted the collateral began to vanish, whereas a business credit began to create its own cancellation the moment it was granted. But they did not consult psychology, and they gave no asset value to pride and vanity. They found no guarantees in human stubbornness in hanging on to its chattels. Besides the actual collateral value of the thing sold under a down payment and installments that accumulate faster than depreciation destroys, there are always intangible but powerful forces of human habit, prejudice and pride that compel every worthwhile citizen to stick to his installment obligations to the bitter end.

The very fact that installment credit for the ultimate consumer is not based on creative processes suits it to the modern age, when the chief asset of ninety per cent of the people is their job that talent, education and experience have brought them. Installment credit is job financing. And the job is the most precious material thing in the lives of the masses. Long-time regularized credit, based on the job, extends the opportunities of credit and its benefits to individuals. Thus the function of credit is widened and new fields opened to the beneficial utilization of capital.

Meet the Finance of Installment Selling

There are no authentic figures regarding the total volume of installment business. Estimates vary from 6 to 10 billion dollars of total sales annually. The lower figure has the better vouching. Taking it and assuming that the average down payment is 25 per cent, the installment debt assumed in a year is only 4.5 billion dollars out of total retail sales of 60 billion dollars, of which the entire credit share is 40 billion dollars. As the average installment time is less than twelve months' average the installment credit outstanding on a year's business cannot be much over 2 billion dollars. A very considerable loss on this amount from the standpoint of the merchants who incurred it would not be sufficient to make much of an impression on the general run of business. But even such a loss would be compensated more or less by the loaded prices of installment transactions.

The long credit term has made financing an annoying burden to many merchants, and in some lines is far more than their banks will carry. This fact, together with the indispensability of long-time selling in such lines as automobiles, from the standpoint of the producer, has led to the development of an extensive new credit group—that of the so-called finance companies. It is their function to take over installment contracts from dealers and make them acceptable as a basis of bank or other credit. They mass and mobilize the little streams into a large but widely diversified whole, behind which they put their own capital and credit. The bank that would not accept a lot of small contracts will readily do business with a reputable finance company. Thus a great field of credit operations, soundly based on the economic life of the people, is opened to the banks.

There are more than 900 finance companies operating in automobile paper and more than 200 that handle other business. While the bulk of their business is done through thousands of banks, distributed all over the country, in the form of short time commercial notes and credit lines, some of it gets into the investment field form in the long-term notes. The shares of the finance companies

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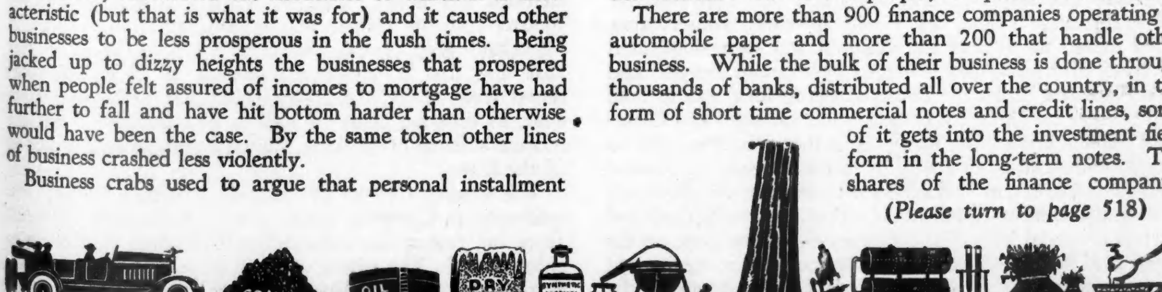
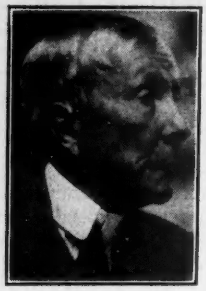
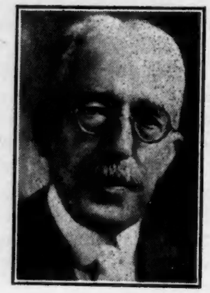
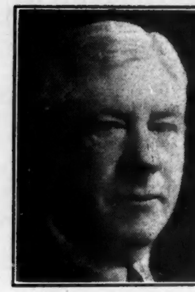




John D. Rockefeller
Standard Oil



Samuel Mather
The Man of Iron



Charles A. Otis
Financier Extraordinary

Cyrus S. Eaton
A Clergyman in Big Business

They Do It In Cleveland

New Blood Builds on Old Fortunes as Leaders of Forest City Take High Places in Financial America

By THEODORE M. KNAPPEN

This is the fourth in the series of articles dealing with key men from various localities who have earned distinction in trade industry and finance of the nation.—EDITOR.

THE original "Cleveland crowd" long since has marched forth from the home base to the national and international scenes. Standard Oil and all the interests that are associated with John D. Rockefeller have for these many decades been too vast to be credited to one town. There are still old fortunes in Cleveland that owed their origin to the possession of Standard Oil stock reluctantly taken in exchange for goods and services when John D. was troubled with much stock and little cash, but as to the present Standard Oil empire Cleveland is little more in the picture than Corsica was in that of the Napoleonic empire.

Early Fortunes Become Static

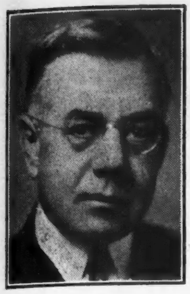
At the same time that the Rockefellers were building up the beginnings of one of the world's greatest commercial empires other fortunes were being founded in Cleveland in iron ore, lake shipping, coal, steel and oil. After awhile these fortunes became fixed and intensely conservative. They passed to widows and children and were dominated by trusts and wills, and managed by cautious lawyers and more cautious bankers. The controlling idea was to hold and conserve. The spirit of adventure vanished and Cleveland became one of the many cities that were too solid to sprint, and so lost out in the race for supremacy, because its leaders were more concerned with interest and dividends than with capital multiplication. Fortunes crystallized and enterprise atrophied. The automobile dynasty came on the scene and selected Detroit for its metropolis; sleepy old Detroit woke up but Cleveland slept on and missed the opportunity of a century.

Without stopping to trace its beginnings, there came a time when Cleveland began to thrill with new enterprise and burn with civic pride and ambition. Energetic youngsters began to pursue fortune in their own home-town streets, funerals did their part and second, third and fourth generations began to observe that in changing times the surest way to dissipate old fortunes was to plan merely to hold on.

Rise of the Otises

It is doubtful whether William A. Otis, pioneer of 1820, would have been noticeably elated when his grandson, Charles A. Otis, bought a seat in the New York Stock Exchange in 1899, but it was a prideful event for the Cleveland community—it was the first Stock Exchange seat to be credited to the whole state of Ohio. When the pioneer walked all the way from Massachusetts to Cleveland to set up an iron furnace, the Puritan stock from which he came made little distinction between a stock exchange and a gambling palace. But he was not content to be a forge master. He observed that traders often prospered more than producers and he came to deal in merchandise and money. Charles A. Otis, Sr., followed in the footsteps of his father, and established a steel forge in Cleveland (egg of the Otis Steel Co.) in the same year that the first momentous shipment of iron ore came down from the Great Lakes fields, not neglecting, however, to divert a share of wealth that dribbled down the modest streams of banking, business and general dickering of the fifties.

The present Charles A. played at being a cowboy and cattleman in Colorado for a time, having acquired a ranch from his father for "one dollar and other valuable considerations." The extent of these considerations can be inferred from the fact that the father later refused to return them and the dollar for the ranch. The son had to keep



John J. Bernet
Railroad Rejuvenator

E. J. Kulas
The Steel Maker

O. P. Van Sweringen

M. J. Van Sweringen
Railroad Amalgamators

the ranch but retreated from the cow business to Cleveland and established the firm of Otis, Hough & Co. in the iron and steel commission and agency business. His interests in the American Steel & Wire Co. brought him into the U. S. Steel Corp. when it formed in 1901. This gave a wider outlook but the growing tendency of the steel and iron people to take over the agency business took some of the fervor out of the activities of Otis, Hough & Co.—later Otis & Co. Not being able to deal in steel products with as much zest as formerly they took to trading in steel securities, entered the New York Stock Exchange and began to establish branches all over the country. Including their New York office, they now have 25 branches investment banking and brokerage service branches. Their eighteen partners are affiliated with 70 of the leading industrial, banking and utility organizations of America. The head office remains in Cleveland, and the firm has become one of the principal factors, through the magic of securities, in the renascence of Cleveland, and the advancement of its aspirations to a metropolitan estate.

Enter the Van Sweringens

The family name that stands out most conspicuously and that comes into everybody's mind when Cleveland is mentioned, however, is not that of any of the old-timers such as Hanna, Wade, White, Sherwin, Mather, Payne, but of the Van Sweringens. The brothers, Oris Paxton, 51, and Mantis James, 49, familiarly known as O. P. and M. J., having acquired a public school education in Wooster, Ohio, the town of their birth, and decided that real estate was their road to wealth, first came to notice in Cleveland about 1907, after two or three years of rather petty real estate operations in the suburb of Lakewood, during which they were always sure of eating regularly except as their credit was good.

This was the day when suburban subdivisions became the fashion in every town and city in the country. The spacious old places of the founders of every community were being taken over by expanding business and run-down twilight zones. Their owners were looking for new homes for old. At the same time it began to be decidedly unfashionable for middle-class people to live in the closely huddled houses, opening right on the sidewalk, which was an inheritance from old-world peasantry and Indian foray days. Some Buffalo speculators had not seen their dreams come true about a venture in Heights property right in line with the best theories about quick riches in real estate, and somehow the Van Sweringen brothers were called in. They showed real genius in this transaction, the genius of getting the other fellow to do the hard, detailed work, retailing lots. The brothers farmed out the property to distributors, concerning themselves mostly with financing the development of tracts as residence communities. Transportation was important; so, much dealing with the railways in commuters' behalf and finally the purchase of the Nickel Plate railway on a shoe string. The Nickel Plate acquisition turned the brothers' thoughts to railway dominion, but they kept right on with their real estate developments, raking in the profits and giving Cleveland thrill on thrill with retail shopping centers, the Shaker Heights suburbs, their office buildings, mammoth railroad terminal, and a palatial hotel. After the Nickel Plate came the Pere Marquette, Chesapeake & Ohio, the Erie, the Missouri Pacific, the Hocking Valley, the Western Pacific, the Chesapeake and Alleghany holding corporations; dream of a transcontinental line; and, after many buffs and rebuffs, the now semi-officially endorsed Chesapeake & Ohio system in the big four consolidations of eastern railway baronies.

Unlike many great performers in industry and politics the Van Sweringens have no histrionic sense. They haven't the faintest conception of staging a great scene for a great act. They are absurdly retiring and oppressively silent. O. P. is the brother who occasionally becomes articulate in business but his capacity for public taciturnity is as good as his brother's. Their unobtrusive methods do, indeed, excite a sort of awesome admiration, and the creating of much out of nothing arouses wonder, but the old-fashioned way of making properties worth something because they pay and their fixed opposition to publicity deprives them of much of the fame that is justly theirs. But the fact stands out that starting with nothing some 25 years ago they have spent $400,000,000 in Cleveland developments and are masters of a group of railways totaling 13,000 miles and valued at more than a billion dollars, owning or owning the control of the ownership of 51 per cent of their stock.

From the Ministry to Finance

Somewhat like the Van Sweringens in his wariness of public deliverances, is the none the less well known Cyrus S. Eaton, whose accomplishments at 47 have made him one of the most recent stars in the Cleveland firmament. The spotlight has emblazoned his figure on numerous and recent occasions, but this is the inevitable result of the dramatic flair with which his achievements in banking and industry have been made rather than any desire for stage play in the man.

Educated for the ministry he forsook the cloth many years ago, apparently through some association with John D. Rockefeller on the philanthropic side of the latter's interests. The first trace of achievement in the new field is found in a local public utility at Brandon, Manitoba. Next he tackled a utility problem in the American Middle-West, became the leading figure in United Light and Power and a

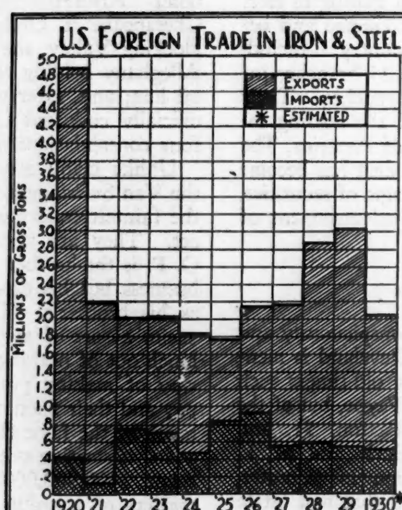
(Please turn to page 516)

American Steel in Foreign Markets

Great Basic Industry Girds for a Fight Against Competition at Home and Abroad

By Gilmore Iden

BETWEEN 1810 and 1930 a billion tons of iron and steel were produced in the United States. But what is most significant, more than one-half of this huge total was made during the past twelve years. The acceleration in the production of steel will be much greater in the years just ahead of us. Operations have been placed upon a mechanical basis, processes have been electrified and methods simplified. The declining market prices have compelled most of the companies to take such steps, and that is but another name for competition within the industry.



Naturally this competition between the American steel companies has been very severe, although probably not so destructive as has been the competition in some other industries. It has, moreover, been intensified in some degree by the rivalry between our domestic producers and the leading manufacturers abroad. In fact, this international competition in the markets of the world has been a potent factor influencing prices. Not only have our American companies sought a broader outlet for their products in export but they have been driven to combat the inroads of various European producers into domestic markets, particularly, of course, those existing at or near the seaboard.

Furthermore, competitive conditions have not been mitigated by the depression. It is true the production of steel in Germany, England, France and other countries has shown just as marked declines as in the United States, but potential capacity still endures and world competition, as well as the proper development of home markets in line with productive capabilities, must rely on increasing coordination and cooperation among the units of each nation for relief from conditions that may prove an obstacle to future profits and future growth. Currently this co-operative effort, is taking the form of trade association with considerable promise of success, particularly at home.

European industries experimented with super-organizations of business interests long before the World War. With the cessation of hostilities the cartel came back again and new and greater alignments of European industries were brought into being. Something of the same thing took place in the United States although along somewhat modified lines. The old trade association gave way to a business organization, an incorporated co-operative body, financed by all the units of an industry for aggressive market development. While preserving the essential of competition the American prototype has endeavored within the past ten years to create a new world of "industrial co-operation."

During the years 1929 and 1930, with a trade depression against which any organized industry was impotent to contend, these efforts at trade organization—the cartel in Europe and the trade association in the United States—have been compelled to face frankly a situation grievous enough to threaten their value. Under the world-wide economic reverses it is but natural many of these organizations should go by the board. New problems have arisen and these new problems must be met by organizations adequately planned to cope with them. It is this change in which business management is just now interested and it is this change in sentiment of leading business executives toward new forms of trade organization which promises to effect reforms in industrial relations.

Constructive Work at Home

Can a practical solution be found without jeopardizing the essential policy of this country which calls for a freedom of competition in trade and industry? The Department of Justice has more than once intimated that trade associations threaten to lessen competition by effecting agreements among competitors restricting prices or markets. The work of some trade association executives has been carefully watched if not actually circumscribed by the threat of legal action against them. Despite that administration of fear, trade associations have won a constructive position in the country during the past ten years. Standardization of products, elimination of industrial waste, development of new markets and new uses, technical research and

like activities have proved fields which co-operatives can legitimately develop. In other words it has been the ambition of the trade co-operative in the United States to develop and promote. It has been the endeavor of its European prototype to restrict and fix prices, although this is not as universally true today as formerly.

Germany Organizes Steel

The German steel industry, which is in some ways more highly organized than the industry in this country, has the Beratungsstelle fuer Stahlverwendung (Advisory Committee for the Promotion of the Steel Industry). This body was organized about three years ago. Its organization and its work was patterned after the lines of the trade promotion work pursued upon a co-operative basis in the United States. Its field is extensive. Old as the steel industry is in Germany, even today less than half the steel is consumed per capita than in the United States which leads the world with 3.5 pounds per day for every man, woman and child. Of course the potentialities for market development are correspondingly greater, in view of this untapped demand, in all of the steel-producing countries of Europe.

That is why the German steel industry was willing that an intensive study be made of market promotion work in America that like tactics could be adopted in the German markets.

The operations of the Beratungsstelle fuer Stahlverwendung are confined to the home market, and its promotion work benefits indirectly the producers of steel in other countries as well. It is obvious that each ton of steel that is consumed in the home market lessens the necessity of forcing the export trade. Each ton of steel used at home relieves the pressure on foreign markets. That is why there has been during the past year a wholesome co-operation between like organizations in Hungary, Czecho-Slovakia, Poland, Italy, Germany, England, France and United States. That is why this co-operation is spreading.

The British Steelwork Association has recently been organized along similar lines, and largely due to its influence some of the ancient building codes in England are being revised. It is becoming possible to build steel frame bearing walls in London. A number of representatives of the Association were in the United States during the past season studying methods. One of their chief interests seemed to be bridges and they displayed keen appreciation of the economic arguments which prompted the erection of some of the larger bridges in the United States.

France, on the other hand, has been showing an increasing interest in the American skyscraper. The OTUA, or the Office Technique pour l'Utilisation de l'Acier, organized in 1928, translated and republished in France the studies on the economic height of buildings over which experts for the American Institute of Steel Construction labored for more than two years. The French frankly confess that they patterned their trade promotion activities after the successes observable from similar co-operative efforts in Germany, England and the United States.

Compare these more recent efforts with the International Steel Cartel which was reorganized in 1926. It had for its purpose the assurance to its member nations of fixed proportions of the total production. The plan provided a system of penalties and rebates for forcing observance of the rules. As the system failed to give general satisfaction, it was decided at the end of 1929 to reinforce the entente regarding productions by means of price agreements.

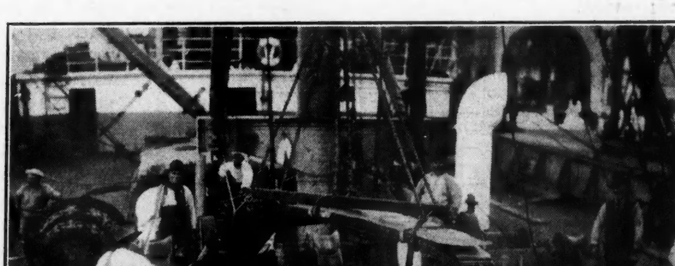
Failure of the Cartel

Under the second agreement a reduction of 10 per cent in output was determined upon and five comptoirs were created for the control of prices and territories. These failed and have since been withdrawn. At a recent meeting in Liege an effort was made to effect a further reduction in output of 15 per cent, making the restriction 25 per cent under what the countries were producing in 1926.

England is outside the agreement and France is supremely dissatisfied. The cartel fails to satisfy Germany and industrial unrest is apparent in most of the other steel-producing countries of Europe. Evidence begins to accumulate that the old-world system of restriction and exclusion does not meet with the modern ideal of freedom in trade. A dictator or a dictatorship is no adequate cure for economic disease. The co-operation and the co-ordination of effort designed to bring into usefulness the full power and might of an industry is, on the other hand, quietly effecting the cure and the rehabilitation that business has been so badly needing.

The employment of technical talent and the exchange of technical data constitute but a phase of the international co-operation that is now developing. Officials of the American organization have exchanged visits with officials of the European organizations. At the end of last August delegates from all steel consuming nations convened in Liege, Belgium, for the first international conference. That was largely preliminary to the still more important conference which is now planned to be held in Duesseldorf, Germany, some time in 1931. A greater per-capita consumption of steel throughout the world will be the keynote, and upon that single objective all the competing steel producers of the world are concentrating. Every nation is seeking the broadest possible share of world business.

The cry of the steel industry today is to find new markets, domestically, in Europe, South America and elsewhere. Where trade associations are not equipped to undertake such tasks some of the larger industrial units are undertaking to prosecute research of their own. This is particularly true of the United States Steel Corp. which last year created a Trade Research Bureau. Now the mills are giving careful analysis to the prospective uses of alloy steel, new (*Please turn to page 520*)



Courtesy, U. S. Steel Products Co.

Unloading Bundles of Steel Sheets in South America

High prices for raw materials and commodities are not essential to the return of prosperity but it is commonly conceded that little real business progress can be recorded until prices are thoroughly deflated and the downward course arrested.

The association of an uptrend in an individual commodity and a similar tendency in the securities of its leading producers is not without foundation and some study of price movements will reward the wise investor.

Have Commodity Prices Hit Bottom?

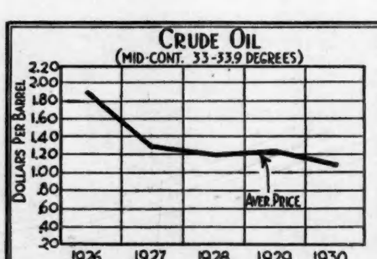
By C. S. Burton

THE turn of the year, marking the close of the third decade of the century, will be remembered as emphasizing a period which has seen the greatest increase in productivity since the fall of the Roman Empire, coincident with acute, world-wide economic discontent.

Our discussions are divided between the problem of unemployment and proposed solutions for the disposition of accumulated surpluses of commodities. We have wheat almost a glut in the market and bread lines of disgraceful length.

Aside from inherent weight of the accumulated surpluses themselves, the factors which seem likely to throw the best reasoned analysis and forecast out of balance are the various attempts at so-called stabilization.

No matter how carefully lexicographers may define "stabilization" as a bringing into and the maintaining of a state of equilibrium, when used in regard to commodities the word means the power to raise prices and maintain such advance. When prices are high the matter of a balance between production and consumption is very rarely, if ever, discussed. When stabilization, in this present-day sense of the word, comes into a market, free bargaining, the old and well-known market operators' "supply and demand" go out together for a time, but they come back, always they come back.



We have had stabilization programs in coffee, rubber, copper; a world-wide program in sugar seems about to be inaugurated; the Federal Farm Board has taken a leading part in wheat and cotton during the past year; silk, our largest single item of import is the object of governmental care in Japan.

A number of the commodities which still enjoy a free market are earnestly endeavoring to build up some kind of program of stabilization for themselves. Other commodities have after a fashion managed to bring consumption and production into a sort of balance, but are not in any position to withstand the strain of prosperity.

A further and more complete adjustment of the present situation may be accelerated when, and as, retail prices further come into proper ratio with the wholesale price levels now ruling. The usual and natural lag as between wholesale and retail prices has been drawn out by the reluctance on the part of employers to disturb existing wage scales. As a result of this policy, which seems to have the endorsement of some of the most prominent industrialists in the country, in part, and, in part due to the general unwillingness to accept the fact that we had run into a major depression, retail prices appear to have declined considerably less rapidly than wholesale figures.

The world-wide attempts to subvert the play of economic forces is without precedent. Tariffs are no longer enacted to provide governmental revenues, but are built up as measures of sociological therapy. The whole world seems bent upon applying political panaceas to economic ills, largely centering such efforts upon the production, accumulation, movement and price levels of commodities.

Meanwhile, prices have almost consistently sought lower levels. Can this trend continue? That is the pressing problem of the day for in the answer lies the recovery or the continued lethargy of general business. It is a question concerning not only the business man but the investor as well, for securities which represent the producers of the various commodities are influenced in no small degree by the price trend of their product.

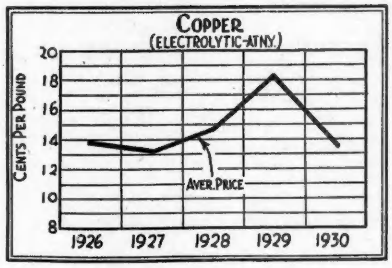
In view of this it is both timely and practical to examine the price prospects of those commodities, which are the key materials of modern business as they appear from current supplies and possible demand.

Later Improvement In Oil

Gasoline prices usually respond promptly and fluctuate inversely with gasoline inventories.

According to American Petroleum Institute reports, current gasoline inventories are nearly 10 per cent below the figures for this time last year. Nevertheless, the current refinery price, averaged for seven refinery centers, is 24 per cent below the prices ruling in January, 1930, and, the average tank-wagon gasoline price for 51 cities is down 15 per cent.

Refiners are adhering to the recommendations of the Federal Oil Conservation Board and it seems fair to anticipate that inventories on April 1 will not substantially exceed the suggested 45,000,000 barrels, which is 18 per cent below April 1, 1930, inventory figures.



A recovery in prices to a level more consistent with improvement in inventory will probably materialize in the Spring, aided by seasonal pick-up in consumption. That very satisfactory prices should prevail for any extended period of time is not, however, consistent with prevailing conditions—human nature being what it is.

The industry has excess refinery capacity and superabundant raw material. The prospect of any substantial increase in consumption and advance in price will undoubtedly encourage the use of the excess refinery capacity, with a return of overproduction. Such has been the history of the industry in the past and both the facts and human nature remain unchanged.

It should be added, however, that the cycle usually takes three years and that at the present time, we appear to be at the beginning of an upward swing.

In spite of the fact that crude oil demand in 1930 exceeded supply by more than 10,000,000 barrels, the current average price of crude is 25 per cent below the average price ruling in January, 1930. Prices for Mid-Continent crude are the lowest in fifteen years and crude markets are still unsettled. The improvement in inventory was not strong enough to offset the realization that six months' supply of crude is a very heavy burden when demand is declining.

This lower demand for crude has been caused by increased recovery of gasoline from crude, through improved refinery processes and larger recoveries from residues and by a sharp decline in fuel oil consumption. Just as long as inventories of crude remain so large that the refiner is put to no trouble to fulfill his requirements, crude prices will be determined by gasoline prices. In other words, even if the crude producer balances supply with demand, unless the refiner does likewise with gasoline, the crude producer will not enjoy any better prices.

To summarize:—

(1) There are ample indications of a 15 to 20 per cent recovery in gasoline prices within the next six months, to a level slightly below the 1928-1929 average.

(2) Strength in gasoline will be followed by a similar recovery in crude.

(3) Neither gasoline nor crude oil appear to be in a position to withstand the test of prosperity over any even moderately extended period of time.

Buyer's Market In Copper

All the surrounding conditions indicate a rather prolonged era of low prices for copper metal.

Stocks of copper on hand are of record proportions. Consumers are bought well ahead and are avowedly contending with a subtantially decreased consumption.

It is not quite a year since the Copper Exporters, Inc., was obliged to abandon its effort to maintain a price of 18 cents per pound for copper, a figure which it had held for a year almost to a day. The Exporters, Inc., has not, by any means relinquished all control of the export market for metal. In view of the accumulated surpluses, it has insisted that copper going abroad must go only to consumers and for fabrication within a reasonable time. The idea being, of course, to prevent any cheap metal being piled up abroad to come back on the market when and as the situation improves and justifies an advance in price.

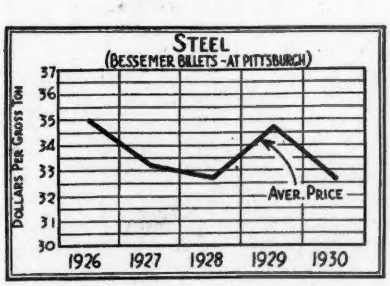
However, even with this measure of protection as to a future market, world stocks of copper on hand are so large, probably not less than 1,750,000,000 pounds, if metal sent abroad on consignment and metal in the hands of the fabricating subsidiaries of the larger producers, is taken into account, that, even with normal demand, at home and abroad, it would take from two to three years to permit the market to absorb such surplus.

With the new production from Canada and Rhodesia in the background copper appears likely to remain a buyers' market for at least the coming year.

Revised figures as to world production show 1930 output as 3,539,270,000 pounds, which compares with $4,208,220,000 pounds for 1929, a reduction of slightly less than 16% in output, while stocks on hand at the close of the year were 1,171,948,000 pounds which figures compare with 342,640,000 pounds as of December 31, 1929, and 130,932,000 as of December 31, 1928.

Steel Prices Lag

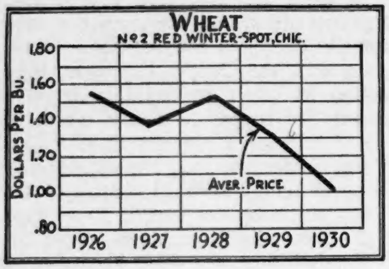
Current relationship between the price of finished steel and the general index of all commodities offers little encouragement for sustained upturn in steel prices in the near future. It is to be noted that the *Iron Age* price index of composite finished steel remains 47 per cent above 1914 level; whereas, the Bureau of Labor Index is now only 14.5 per cent above 1914 average figure. This discrepancy is confirmed by the fact that deflation in the price of steel, since peak figures of 1929, amounts to only 13 per cent, compared to a decrease of 22 per cent in average commodity price level.



It is conceded that curtailment in output provides the proper correction in price levels, and, in this connection, it is to be pointed out that contraction in steel output has been very sharp, as indicated by the fact that on January 1, 1931, only 95 out of 314 available blast furnaces were in operation.

As the pace of general business quickens there are prospects of increasing demand for steel, but even though pro-

duction is increased on the basis of new orders there is likely to be some lag in price adjustments. In other words, while the markets in prospect may be of sufficient breadth to stem any further declines in price, if the experience of the 1921 depression is a guide it will be several months before prices actually advance, although it is admitted that the seasonal demand of the automobile industry and, later on, heavy construction needs may exert considerable tonic effect.



Lower Chemical Prices on Low Costs

In general, the history of the chemical industry in the United States has been one of declining prices and increasing profits. This apparently irreconcilable situation has been the result of increasing efficiency and the development of "laboratory curiosities" on a low cost basis, causing displacement of seemingly well fortified products.

Such developments make it imperative that we follow individual products and companies rather than the industry as a whole.

Probably one of the most important situations is the rapid expansion of fixed nitrogen. This has already resulted in decreased prices for nitrogen products and there is little doubt that the downward trend will continue.

In some highly competitive products, such as sodium nitrate, the decline might well become precipitous. The lower price of ammonia has brought it into competition with alkalis in certain fields where either may be used as a neutralizing agent. The effect on alkali prices is well known and increasing production of low-cost synthetic ammonia will probably prohibit a return of alkali prices to former levels.

The rapid development of commercial processes for producing synthetic alcohols seems to preclude any permanent improvement in the prices of alcohols produced by fermentation.

The dye group offers little basis for price improvement.

Reduced production costs for most of the important acids indicate lower prices for this group.

While a continuation of the downward trend of prices for chemicals generally is anticipated, it must be remembered that costs are being reduced by at least one prominent producer in the field. Those who study the situation in chemicals from the security standpoint must take the prevailing trend into consideration as to its effect upon individual organizations.

Wheat in the Balance

There are two factors in the wheat situation that are of overshadowing importance, the part played by the Federal Farm Board and the world increase in wheat acreage.

The Federal Farm Board is expected to accumulate all of the current carry-over—some 230,000,000 bushels—by the end of the crop year. Obviously any forecast as to price movement is out of the question. The Farm Board has supported wheat prices until the Chicago price has been ruling around 20 cents above Winnipeg. Normally, Winnipeg is 7 to 12 cents above Chicago. Our present price is also above Liverpool, which of course means that we are out of the export market, and are prevented from buying cheaper wheat abroad by our 42-cent tariff.

The futures market is quite at sea, with July wheat quoted 18 to 20 cents under the May option, the latter having the support of the Farm Board.

The 1929-30 world wheat crop—Russia included—comes very near to 5,000,000,000 bushels and compares with a post-war 11-year average, 1919-1929 of 3,341,000,000 bushels, exclusive of Russia, as the present year is the first post-war year in which Russia has come back as an exporter, it is fair to make comparison in this way. Increases in acreage throughout the world and the use of new machinery have brought about an increase in production that has already put wheat production on an intensely competitive basis.

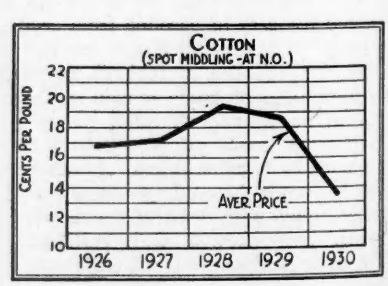
The Farm Board is pleading for a reduction in wheat acreage, but it estimates that fall sowing has been reduced by only about 1.1 per cent, which minor reduction is, of course, quite immaterial. Roughly it may be said that the present situation shows farm income to have been reduced by 16 to 20 per cent, as a whole. Averages do not mean so much in the case of the farmer; there are dairymen whose incomes have not been greatly affected; and one crop farmers, cotton and wheat growers, who are in desperate straits.

It appears that the Farm Board itself is as yet undecided as to whether its operations are to be carried on into the next crop year. In certain circles, it is said that it may be seriously questioned whether further appropriations, which would be necessary for further market operations, are to be forthcoming. All of which leaves the outlook one of low visibility, with a sort of forlorn hope for the Farm Board lying in a scarcity demand created by nature; a drought, for example such as so materially cut down the corn crop last year.

Cotton Hampered by Carry-over

Aside from its importance as the basis for the leading branch of our textile industries, cotton is the largest single item in our list of exports. In dollar value the crop averages more than wheat.

We have a visible supply of some 8,377,720 bales, as of December 31, 1930, and the problem is what to do with it. World consumption is down some 17% and the carry-over of American cotton seems bound to be of record proportions. Exports are off sharply, from 7,396,000 bales in 1929 to 6,369,000 bales for the year 1930. Authorities estimate that the carry-over of American cotton, as of the end of the current crop year, July 31, 1931, will amount to 8,500,000 to 9,000,000 bales compared with 6,137,000 last July.



The price is fluctuating around 10 cents per pound, which is materially below the cost of production. It costs about 15 cents to grow a pound of cotton.

The outlook is most uncertain and while organized markets can and do discount all natural factors and contingencies, it is impossible to discount the kind of uncertainty in-

jected into the situation by the Federal Farm Board. There are no averages against which to calculate the effect of political would-be panaceas applied to economic ills.

Like the wheat farmer, after having been promised impossible things, the cotton planter is now asked to save himself by acreage reduction, crop diversification and an application of old-time self-sufficiency.

Sugar Rests on a "Plan"

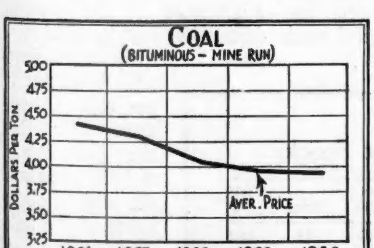
Space limitations forbid the discussion of the ambitious program which has been adopted by the world's sugar producers at the length it deserves. Annual world sugar production has increased from pre-war world figures of 16,000,000 to 20,000,000 tons to 28,000,000 to 30,000,000 tons-total cane and beet sugar, with the result that surplus stocks have increased; and prices have declined, in common with other commodities, until raw sugar has sold at a record low for all time of 1 cent per pound, which is below any possible cost of production.

The Chadbourne plan sponsored, presented and pressed upon the nations of the world by Thomas L. Chadbourne, in the face of seemingly immovable opposition, is an adaptation of the plan followed by the Copper Export Association, in 1921, when stocks of surplus copper were financed by the issuance of short term notes, with the understanding that one-third of all copper exports were to come from the accumulated stocks on hand.

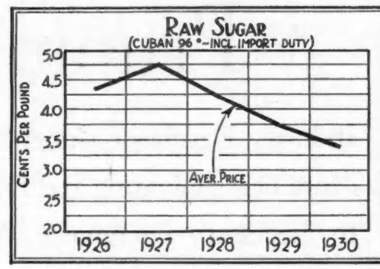
Surplus sugar in all of the exporting countries is to be segregated and financed for five years; the countries placed upon a production quota, which will keep so far within world consumption as to permit one-fifth of the surplus to be absorbed in export trade each year. While there is no mention of price or markets, it goes without saying that the projected curtailment is intended to bring sugar production back to a profitable basis. It is an ambitious plan and will mean millions for the American stake in Cuba when and as it proves to be workable; until it does so prove itself the immediate future is uncertain. Otherwise it is a matter of brutal elimination of the weaker producer, complicated by tariffs and other forms of governmental protection, bounties, etc.

Textiles Rest on Management

During 1930 the textile industry suffered as did many others from a series of surprises. It was misled by the general attempt to talk away the depression; it did not anticipate a slash in the price structure for Rayon, nor the collapse of the market for raw silk, to say nothing of the Farm Board's failure to live up to its early promise to "stabilize" the price of raw cotton around 16 to 18 cents. It follows then that whatever plans the textile industry may have made for 1930, and which later went widely astray, do not call for any apology.



In the cotton branch of the textile industry overproduction has prevailed for so long it has almost become a chronic condition. A record carry-over of American cotton, with decreasing world consumption of cotton goods, spells an uncomfortable situation for the mills which has been offset temporarily and in small part by the fact that the prices for manufactured goods have not declined so rapidly as the price of spot cotton. The industry, as a whole, is trying hard to weed out some of the growths that are unhealthy; all night work, and price cutting by overzealous mill men, are two things upon which reformers within the industry are concentrating.



Admittedly, the outlook calls for everything that management can supply. The textiles have one advantage over some other industries — building, for example—the wage scales are not unreasonable.

The most recent analysis, based on Bureau of Census returns, indicates that the output of cotton goods for 1930 is less than for any year in the past ten years.

WOOL AND WOOLENS—Woolen goods are one of the lines where retail prices have yet to come into line. Wool prices are down approximately 40 per cent, cloth prices, on the average, are down not more than 6 per cent. The first half of the year will probably see this adjustment worked out; in the meantime, slack demand has allowed a substantial backlog to accumulate and the latter half of the year when the Fall demand makes itself felt should start the woolen trade on the upswing.

SILK—The production of raw silk is in its first stage, the cottage industry of Japan. Its development and protection are objects of great solicitude on the part of the Japanese Government. It is the largest item of our import trade in dollar value. Japan produces 70 per cent of the world's raw silk and we take 80 to 90 per cent of her output. The industry is one of quick changes from prosperity to depression and back again.

As a result of record low prices for silk, bringing the fabrics within reach of purses, which heretofore had to be content with rayon or cotton, and doing away with tin weighting, mills are making preparation for an increased demand in many lines.

Silk is one commodity in which lower prices are making for wider use. The current activity is anticipatory, dependent not upon the feminine demand but upon her ability to satisfy it. In the last four months of 1930, silk consumption went to record high figures for the Autumn months and for the year was only 5.1 per cent below 1929 and still well above 1928 figures.

RAYON—This offspring of the laboratory is overproduced. Manufacturers are holding conferences, presumably with a view to end price cutting. The situation is uncertain.

Coal Prices Lower

Anthracite, going into domestic consumption, for the most part enjoys a more even tenor of existence than soft coal. The oil burner and natural gas are looked upon as competitors holding a growing threat and the advisers in the industry are suggesting that every possible encouragement be given to the mechanized automatic coal feeder.

(*Please turn to page 516*)

Motion Pictures Use the Pruning Hook

Industry Reaches Critical Stage as Public Taste Becomes More Discriminating and Era of Extravagance Gives Way to Necessary Economies—What Will Be the Outcome?

By William Knodel

HOUSECLEANING time has arrived in the motion picture industry and with it has come the most thorough and far-reaching reorganization in its entire history. That not all has been well in this vast enterprise is clearly reflected in the 1930 operating and financial results. General business conditions, of course, are to some extent responsible for the adverse developments, but apart from external influences, the industry had reached a state internally where it became imperative to put into effect a program of drastic economy.

The advent of talking pictures about three years ago has completely revolutionized the industry, but the novelty of that development has been thoroughly worn off so that now a new tempo must be struck to continue the industry's popularity. Not only this, but the talking pictures were to a large degree responsible for the tremendous expansion and integration within the industry itself in recent years. In a race to capitalize on this newer type of picture, the producers greatly enlarged their facilities and while engaged on this program they found it necessary also, because competitors were doing so, to intrench themselves on the distributing end by rapidly acquiring theatre outlets in which to show their productions. The 1930 slump found a number of the motion picture organizations in an overexpanded condition physically, and as financing to carry this expansion was either on a temporary basis or insufficient to tide them over the depression, reorganization was the only other alternative.

The financial difficulties in which several of the largest organizations have become involved as a result of this too rapid expansion and acquisition of properties at inflated prices have caused one very important change—a change in control. The banking interests are now in the saddle, determined to straighten out the industry and place it on a sound financial basis in which unchecked extravagances will have no part. The problem as it now shapes up, however, is not an easy one to solve. Of a nature where showmanship, particularly now with the talking pictures, is an inseparable element to produce box office successes, policies dictated by matter of fact bankers may involve internal friction and dissatisfaction, unless skillfully handled.

The production of motion pictures is an extravagant undertaking in every sense of the word. The seemingly unnecessary expenditures in connection therewith have always been large, but as long as the industry was prosperous and ever making greater profits, these were tolerated. Not so when economy is dictated by adverse finances and operations in the industry. In recent months all the major companies have been applying the pruning hook to cut out the dead wood and unproductive shoots. Indeed, a careful and painstaking revision of all forces and machinery of production has been under way to insure that no item no matter how small of unnecessary cost might be retained. These savings, however, are not designed to injure the quality of the output, as producers are by all means willing to risk large sums on fine productions, but minus the unnecessary fanfaronade.

The flush of prosperity brought to the industry when sound and talking pictures were first introduced has passed. Signs of apathy on the part of the public became increasingly evident last year especially in the latter half when the deadly uniformity of production took its toll in attendance. This trend, of course, was augmented by the growing severity of the general trade depression and resulted in a drop in attendance of about 10 per cent. In contrast with this, the first half of 1930 witnessed the peak of popularity of the talking pictures and was reflected in a gain of some 60 per cent in profits over the corresponding period of 1929. Indeed, it was only toward the second

Earnings Position of Leading Amusement Stocks

Company	Interim Earnings 1929	Interim Earnings 1930	Full Year Earnings per Share 1928	Full Year Earnings per Share 1929	Full Year Earnings per Share 1930	Dividend	Price	Yield %
Fox Film	3.30(1)	4.00(1)	6.47	10.28	5.20(e)	4.00	31	12.9
Loew's, Inc.	2.09(2)	1.60(2)	5.98A	7.91A	9.65A	4.00	51	7.9
Paramount	4.11(3)	4.59(3)	4.22	6.36	6.15(e)	4.00	44	9.0
R. K. O.	0.56(3)	1.03(3)	Loss	0.92	1.50(e)	...	18	...
Warner Bros.	2.07(4)	0.50(4)	1.86A	6.33A	2.21A	...	17	...

(1) 39 weeks' period. (2) 12 weeks ended Nov. 21, 1930, and Nov. 22, 1929. (3) 9 mos. ended Sept. 30th. (4) Quarter ended Nov. 30th. (e) Estimated. A—Year ended Aug. 31st.

half of 1929 that talking pictures really were shown on a large scale and therefore it was only then that earnings began to reflect fully their advent.

How to meet the discriminating demands of the public is one of the big problems at present. The old silent pictures spoke the language of the pantomime and had universal appeal. It is the lack of this according to some observers which is the real cause for the loss in attendance. Unlike silent films which could be cut largely from the same patterns, using merely new backgrounds and a different locale, repetition in the talking pictures is deadly. Successful talking pictures call for originality, individual ideas and individual effort. In this way, they resemble closely the production of a legitimate show for the stage.

Problems Increased By Talkies

The fundamental change in the manner of production calls for important organization changes. Under the old system when silent pictures were being made, it was feasible to have one all-powerful chief or directing head who supervised every detail of the entire program of pictures. The production of talking pictures, however, is much more exacting because they must come up to the standards of stage plays. Even the greatest stage producers found it difficult to turn out 4 or 5 good plays in one season. How, then, is it humanly possible for one or two men to produce 30 or 40 good talking pictures in the same time?

The solution to this problem will probably be sought in a return to the unit system which one of the large producers of former years worked successfully. Instead of having as at present merely one or two production minds, the unit system calls for perhaps a score or more, each attempting to give individuality and originality to the work. Each one of these minds will direct his own unit, will hold complete sway over its own production, selection of story, players, scenarists, and every detail which goes into its making. All of the units, nevertheless, will work in cooperation and will be responsible to a central administration board in the home office.

Typical of costly "sets." A view from the M-G-M production "Madame Satan" in which the interior of a dirigible was reproduced in full detail.

The silent pictures had a universal appeal and therefore got around many of the difficulties which a talking picture meets in its public reception. The motion picture audience is really of two major types. The silent pictures satisfied to a large extent both types, but the line of demarcation has become more finely drawn since the showing of talking pictures. The sophisticates like smart and sophisticated dialogue, but this is exactly the thing which palls on the more naive, perhaps less worldly-wise part of the audience. This is the reason why a picture which is a success in New York and Chicago, for instance, is a failure in other sections of the country. Broadway tastes may ignore and have no appeal for the great mass of the American public outside of the large metropolitan centers.

Changing Public Tastes

In solving this problem there must be found a way in the same production to satisfy the sophisticated taste of the customers on the Broadway without palling the customers of the Main Street. To give more universal appeal, producers are now tending toward less dialogue and more action in their pictures, thereby making them resemble the silent pictures as much as possible. Excessive dialogue and oversophistication, moreover, have tended to make the motion pictures less popular with children who have always been ardent fans and who comprise a large part of the audience, particularly during matinees. The industry will point its efforts in 1931 to draw back this important juvenile audience.

The critical taste of the present talking picture audience is discernible in the greater tendency for the better quality pictures to become box-office leaders. The public no longer merely "goes to the movies"; it chooses its entertainment by feature and title much as it does in the case of the regular theatre. This was not always the case in previous years—in the initial stages of the talking pictures nor when silent pictures were shown exclusively. Capable dramatists are now employed by the producers to improve the dialogue and the themes of the projected pictures. Real talent is being applied. And one other thing has been found necessary to draw box office receipts—leading names as magnets to attract the public.

How will the economy programs in the motion picture industry sponsored by the chief executives and the bankers alike show up in the final analysis? To the lay mind, extravagance has always been associated with the industry, and actually this has largely been true. Salaries to stars, directors and officers comprise a large part of the total cost of production. No doubt in many cases they are worth what they are getting from the standpoint of pulling power. Salaries and wages, however, constitute approximately one-half of the total costs. In 1929 for instance, out of a total cost of $180,864,319 incurred by the producing organization, $83,642,067 was paid out for salaries and wages, or 46.2 per cent. Materials, fuel, and purchased electrical current cost $38,166,988 or 21.1 per cent of the total. The close scrutiny to which all items have been subjected will

(Please turn to page 518)

UNITED LIGHT & RAILWAYS
1st Lien Cons. "A" 6s, 1952

An Opportunity in Yield and Security

Mortgage on Important Electric and Gas Properties Yields 6% at Current Price Levels

By WARD GATES

UNDERLYING secured bonds of the large public utility systems as a class constitute excellent investments, comparable to the underlying bonds of the large railroad systems in the United States. Increasing recognition of their merit has been very noticeable in the steady trend to lower yields in this type of bond, a trend, moreover, which should continue into the future for some time to come, aside from fundamental moves in the bond market.

The underlying bonds of the United Light & Power system, one of the largest public utility holding companies in the country, offer a number of excellent opportunities for attractive investment. In particular, the United Light & Railways 1st Lien and Cons. Mort. "A" 6s, due April 1, 1952, at current price levels afford a liberal yield and at the same time have ample security behind them. Of this issue there are now outstanding $11,010,000, but under the same indenture an additional amount of $7,010,000 are outstanding under the name of United Light & Power Co. First Lien and Cons. Mort. 5½s, due April 1, 1959.

The difference in name is explainable by the fact that the 6s were originally issued in 1922 when the properties then comprising the system were known as the United Light & Railways Co., but in 1923, the United Light & Power Co. was organized to take over the assets of the former company and assuming the liabilities. Therefore, when the 5½s were issued in 1924, they took the name of the successor corporation. Incidentally, the properties are chiefly gas and electric, with only a small part transportation.

A Choice of Two Issues

Given two issues with practically the same security, the question arises as to which is the better purchase. From a yield standpoint, the 6s are the more attractive issue, returning at the current price of 100 a yield of 6% to maturity as well as on a current basis, while the 5½s, selling at 97 yield only 5.70% to maturity and approximately 5.66% on a current basis. In the matter of redemption before maturity, the 6s likewise appear in a better position than the 5½s. The 6s are not redeemable before April 1, 1947, and from that date to and including April 1, 1948, as a whole or in part, at 103; thereafter at 1% less each year to and including April 1, 1950, and thereafter at 100, plus accrued interest in each case. The 5½s are callable now, as a whole or in part, by lot at 105 to and including March 31, 1934, thereafter at one per cent less during each five year-period to and including March 31, 1954; thereafter at 100½ to and including September 30, 1955, and thereafter at 100, plus accrued interest in each case.

The bonds are secured by a direct mortgage lien upon important properties of the system. In effect, however, the bonds are practically a first mortgage on these properties because under the indenture provisions there must be deposited toward their security an equal face amount of 1st and Ref. 5% Gold Bonds, which are actually a first mortgage on the properties. No additional amount of these 1st and Ref. 5s or of securities of subsidiary companies may be issued unless immediately acquired and pledged under the 1st Lien and Cons. Mort. or an underlying mortgage. Additional security is afforded the 1st Lien and Cons. Mort. bonds in the deposit of practically all of the preferred stock and the common stock of the Chattanooga Gas Co., which itself has no bonds of any description outstanding.

Specifically, therefore, the 1st Lien and Cons. Mort. 6s as well as the 5½s are indirectly a first mortgage on the gas and

Earnings of United Light and Power Company

	Gross	Net*	Times Fixed Charges Earned
1930	96,350,026 (1)	35,101,840	1.46
1929	96,200,648	34,596,568	1.40
1928	67,719,589	24,907,156	1.29
1927	45,618.257	17,148,960	1.27
1926	41,859,737	14,579,661	1.17

* After all charges including depreciation. (1) Twelve months ended Nov. 30th.

electric properties serving among other communities, Davenport, Iowa City, Mason City, Lake Clear, and Fort Dodge, all located in the state of Iowa; Rock Island, Moline and East Moline, in the state of Illinois; and La Porte, Indiana. In a similar way the bonds are in effect a first mortgage on the gas properties in the cities of Cedar Rapids and Ottumwa, Iowa. The total population of the communities served by these properties is in excess of 350,000, with electric customers numbering approximately 68,000 and gas customers 44,000. Chattanooga, supplied with gas service, has a population of about 72,000 and in this area there are an additional 8,500 customers.

The 1st Lien and Cons. Mort. bonds actually become a first mortgage after June 1, 1932, when the 1st and Ref. Mort. 5s will fall due. Of this latter issue there are outstanding in the hands of the public $11,000,000 worth of bonds, while pledged under the 1st and Cons. Mort. (this issue) are an additional $18,083,400 to secure a face amount of $18,020,000 of the latter. Further protection is afforded through the provision that until the satisfaction of the 1st and Ref. Mort. due June 1, 1932, additional bonds may be issued only upon deposit of an equal face amount of the 1st and Ref. 5% bonds, and then only under certain restrictions as to earnings. Stipulations regarding a maintenance and depreciation fund are another feature. The company must expend or set aside at least 12½% of the gross earnings annually for maintenance and repairs or for renewals and replacements to the properties. Any part not used for such purposes may be expended for additions, extensions or improvements to the properties. Since 1914 the company has annually exceeded these requirements by an ample margin.

Earnings Trend Upward

Earnings are not reported separately for the properties on which this particular bond issue is a lien, but inasmuch as the issue was assumed by the parent company, the United Light & Power Co., these earnings will serve to indicate the margin by which bond interest is being covered. The most recent report is for the twelve months' period ended November 30, 1930, when gross earnings of all the properties in the system amounted to $96,350,026. Net income after operating expenses, taxes, maintenance and depreciation was $35,101,840, equivalent to 1.46 times the fixed charges including bond interest of subsidiaries as well as the holding company, subsidiary pre-

(*Please turn to page 518*)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revisions as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	5.68	110	97	4.1	4.2
New York Central Deb. 6s, 1935........	630.2	3.90	110	107	5.6	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	97	4.6	4.7
Pennsylvania 5s, 1964	....	4.54	102T	105	4.8	4.7
Great Northern Gen. A 7s, 1936......(b)	139.8	2.41	....	111	6.3	4.7
Central Pacific Guar. 5s, 1960.......(a)	....	2.72	105 ('35)T	104	4.8	4.8
Illinois Central 4¾s, 1966..............	....	1.85	102½ ('36)T	99	4.8	4.8
Southern Railway Dev. & Gen. 6s, 1956.	133.8	2.23	....	112	5.4	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962.	49.9	X	105	105	5.2	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	2.21	105	103	5.3	5.3
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.70	105A	95	5.3	5.3
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.48	110 ('36)	113	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.6	5.4
Wabash Ref. & Gen. 5½s, 1975......(a)	61.6	2.08	105A ('35)	102	5.4	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995..(a)	285.3	2.03	107½A ('34)	110	5.5	5.5
Central of Georgia Ref. 5½s, 1959......	30.9	1.57	105A ('34)	100	5.5	5.5
Western Pacific 1st 5s, 1946.........(b)	....	1.25	100	94	5.3	5.6

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.26	105T	103	4.9	4.7
Utah Power & Light 1st 5s, 1944......	....	2.83	105	102	4.9	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.40	106T	106	5.2	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87	....	100	5.0	5.0
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14	105T	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	2.76	105	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.45	105	98	5.1	5.1
Columbia Gas & Elec. Deb. 5s, 1952....	....	4.62	105T	98	5.1	5.2
Detroit Edison 1st & Ref. 6s, 1940..(b)	14.0	3.27	107½T	105	5.7	5.3
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20	110	105	5.7	5.6
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.53	110	103	5.8	5.8
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32	104	88	5.6	6.0
United Lt. & Rys. 1st Conv. A 6s, 1952 ....(b)	11.3	1.40	(N)	100	6.0	6.0
Standard Gas & Elec. 6s, 1966.......(b)	432.2	1.60	105T	99	6.1	6.1
Standard Gas & Elec. 6s, 1935..........	432.2	1.60	103	99	6.1	6.2
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53	105	83	6.6	7.0

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29	103T	102	4.9	4.6
Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.77	105	102	4.9	4.6
Gulf Oil Deb. 5s, 1947 ....(c)	....	13.04	104AT	103	4.9	4.7
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	6.86	105T	103	4.9	4.8
Sinclair Pipe Line 5s, 1942..........(a)	....	6.33	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74	105T	101	5.2	5.2
Purity Bakeries 5s, 1948	0.6	10.40	103½	94	5.3	5.6
Chile Copper Deb. 5s, 1947..........(a)	....	10.20	102T	94	5.3	5.6
International Match Deb. 5s, 1947...(a)	....	9.81	109T	93	5.4	5.7
Amer. Cyanamid Deb. 5s, 1942.........	0.3	10.58	100	93	5.4	5.8

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59	102½A	103	5.3	3.4
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45	101T	102½	6.3	5.4
Middle West Utilities 5s, 1933..........	881.6	1.39	101½	97	5.2	6.3

Convertible Bonds

Atch., Top. & S. F. Deb. 4½s, '48..	Com.@166.6	5.68	102	120	3.7	3.0
N. Y., N. H. & Hart. 6s, '48.......	Com.@100	2.39	...	117	5.1	4.6
Baltimore & Ohio Conv. 4½s, '60....	Com.@120(h)	2.03	105	98	4.6	4.6
Texas Corp. 5s, 1944................	Com.@70	18.08	102T	100	5.0	5.0
Chic., Rock Island & Pac. 4½s, 1960	......	2.19	105('36)T	92	4.9	5.0
Chesapeake Corp. Col. Tr. 5s, '47....	C. & O.@106	2.84	100	99	5.1	5.1
Inter'l Tel. & Tel. Deb. 4½s, '39...	Com.@63.9	3.07	102½	98	5.0	6.0
Amer. Inter'l Corp. Deb. 5½s, '49...	Com.@80	1.49	105	93	5.9	6.1
Assoc. Gas & El. Conv. 4½s, '49 (K)	......	1.69	103T	68	6.6	7.8

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (N) Not callable until 1948.

Dividend Prospects in 1931 for Leading Industries

Part One

Railroads, Public Utilities, Automobiles and Accessories.

Part Two

Covering the Dividend Prospects and Ratings for Important Industrial Groups Will Be Published in the Next Issue.

IN the many years we have prepared semi-annual dividend forecasts in February and August, there have been few times when these forecasting surveys assumed the importance that they do currently. Many investors will undoubtedly take advantage of low prices as soon as business shows some improvement and the market demonstrates a definite uptrend, but before doing so it will be well rewarded prudence to carefully scrutinize the margin of safety and dividend prospects which lie behind the attractive yields.

The dividend rates of the average company in 1930 moreover cannot be taken as an infallible standard. Whereas it was admittedly a year of adverse conditions it was largely a year of hopes. Successfully shattered though they were, it was these hopes of nearby improvement which sustained many dividend rates at the high levels of 1929, even though earnings did not always justify payments. Reductions were forced in some cases it is true, but generally speaking old rates were maintained and even a few "confidence inspiring" extras were paid. All this is attested by the fact that total dividend disbursements in 1930 surpassed the sum of 1929 despite the fact that nearly 150 stocks listed on the New York Stock Exchange made downward revisions in their rates during the year.

Now, however, directorates face a new year and after the chastening of the past 18 months may be disposed to pattern dividend policies in strict accordance with conditions. If recovery manifests itself in the various industries early enough, present rates may be maintained, otherwise some adjustments to current earning rate is probable in many companies.

As we have frequently pointed out it is a time to give special attention to industrial trends as well as to evaluate not only current earnings, but those in prospect. In this connection the Dividend Forecast should prove of great value at present and for several months to come.

It seems desirable to emphasize the point that our ratings of dividend possibilities are intended to point out *possibilities* rather than *certainties*. Although statistical proof may be offered of dividend action that may be logically expected, there is always an element which can never be forecast in advance and that is the attitude of the management toward changes in the dividend rate. A company many be in a position to raise or lower the dividend, but such action, though inherently logical, may be postponed long after it might be expected in view of special circumstances that might arise and thus influence the management's viewpoint. In this dividend forecast, we have noted only the possibilities although such dividend action as presented should materialize.

The tables are designed therefore with an eye toward indicating dividend possibilities in the first place, and market possibilities in the second. The latter are indicated by the ratings:

A-1	**Should eventually be worth more on intrinsic value.**
A-2	**Sound investment holding with limited attraction on current price basis.**
B-1	**Issue has inherent merit but occupies speculative position at present.**
B-2	**Stock occupies uncertain speculative position.**

These ratings are based on reasonably long range investment considerations. They deal with the intrinsic merit of the issues and are not designed to suggest immediate market action. For example, an A-1 rating is not a recommendation for present purchase but rather indicates that the issue should advance under favorable market and industrial conditions and hence might be a sound investment to be acquired in periods of market weakness or when the trend price is more definitely established than it is presently.

Wherever the figures have been available, we have indicated the 1930 earnings, in other cases they have been estimated. Such estimates, of course, in the nature of things cannot be considered as exact figures and some allowance should be made for deviation from the figures to be ultimately published by the companies themselves.

In the next issue we cover such groups as steel, mining and metal companies, petroleum, railway equipment, machinery and industrial equipment, building equipment, farm equipment, chemical, foods and specialty companies.

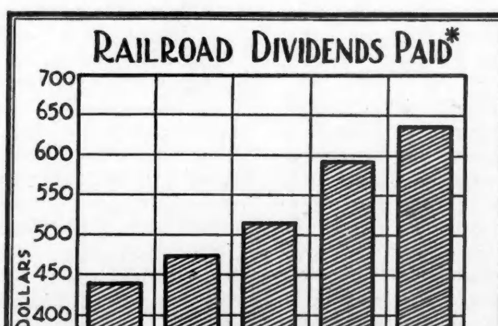
Railroad Dividend Policies Await Signs of Business Recovery

Several Adjustments Likely

By Pierce H. Fulton

WHAT should be the dividend policy of a railroad? This is an all important question upon which directors of most American railroads are being called upon to decide. Railroads carry people and what they produce, buy and sell. Railroads do not manufacture things for profit. During 1930 many thousands fewer people rode on American railroads than during 1929. The volume of freight carried was many hundreds of thousands of tons less. Still, the railroads kept up their dividends. In every important industry there were numerous cuts and omissions. So far this year there has been no material improvement in either passenger or freight traffic and with prospects of slow business recovery. What should the railroads do about their dividends under such circumstances?

Broadly speaking, there have two general policies with respect to the payment of dividends by railroads. In this country the prevailing practice has been to fix upon a rate, in proportion to average earnings over a period of years, that it was believed by the directors could be maintained, even with considerable shrinkage in net for some little time. Unfortunately, in the last few years, there have been some departures from this policy which are now doubtless regretted by those who were responsible for the action.



The other policy as to the payment of railroad dividends is that which has been in pretty general use in England. It calls for increases when earnings are large, and reductions, and even omissions, as they decline and become particularly bad. Only secondary attention is given to maintaining a good-sized surplus after the payment of dividends. Directors of English railroads that have adopted this policy have taken the ground that the balance after the payment of interest charges belong to the stockholders and that they should get it as earned and take their chances in possible periods of business depression and reductions in earnings.

This policy has not been in favor with the directors of a large majority of American railroads. They have contended that the position of stockholders would be much stronger in the end if no more than one-half of net income, the amount applicable to dividends, were disbursed for that purpose and the balance kept in the treasury against emergencies of many kinds, such as have been peculiar to the railroads in recent years under the new conditions constantly arising. Aside from these contingencies, the strengthening of credit by maintaining dividends at regular rates, and a good cash surplus, has received much consideration by the directors of all conservatively managed American railroads.

Directors of those roads are now required to decide whether they will try longer to cling as closely as possible to the co-called American dividend policy or veer toward the English policy to a greater extent than they have wished to do in the past. Inasmuch as even some of the largest railroads in the United States did not in 1930 earn all of the dividends paid for that period, and as the outlook for the present year is not clearly defined, if they were to adopt the English method, rather sharp reductions in some cases would be voted. There is still much reluctance about doing anything of this kind.

So far not many directors of American railroads have been required to even take definite action on common dividends for the first quarter of the current year, much less to decide upon a dividend policy for the full twelve months. The fact is they will hold off on both as long as possible, hoping for sufficient improvement, or at least signs of it, in business, to justify them in declaring regular dividends for the first three months of this year.

Atchison directors, following out their regular program, had to act on the common dividend the first week in January. The regular quarterly installment of $2.50 a share was declared. That a dividend policy for the year 1931, however, has not been determined, even by the board of that railroad, universally regarded as one of the strongest in every respect, among American railroads, was made plain the day before the meeting by W. B. Storey, conservative president. When asked to forecast dividend action for the year, he replied: "I have not given any consideration to that matter but I confidently expect that the

regular dividend will be declared for the first quarter. With the surplus that we have, there would be no good excuse for doing anything else, at least, so far as I can see."

Southern Pacific directors will act on the dividend question the third Wednesday in February; New York Central, the second Wednesday in March; and Baltimore & Ohio one week later. So far there has been no official intimation as to whether any change will be made. There have been rumors that the Pennsylvania dividend would be reduced beginning with the first quarter of this year, but the regular quarterly dividend of $1 a share has been declared.

Directors of all the railroads of the United States that are now paying dividends would like to continue the same rates this year. Whether they do or not will depend upon earnings, treasury position and particularly the outlook for material improvement in traffic and earnings.

Avoiding New Financing

Even the leading railroads, notably Atchison, reduced their treasury resources materially in 1930, in order to avoid new financing through the sale of bonds. In a good many cases stocks declined to such low levels that they could not be offered, except at unjustifiable discounts. Then, too, treasury resources were heavily drawn upon to meet payments ordinarily taken from current earnings. In some instances it was necessary to make up a deficit of from 1 to between 3 and 4% of dividends paid. This money had to come from the treasury also. Because of the appalling reductions in net as well as gross earnings, it will not be possible to carry forward to surplus account, out of 1930 earnings, anything like such amounts as were transferred in 1927 and 1928, and even for 1929, notwithstanding the slump in the earnings of most railroads during the last two months of that year.

In other words, the railroads of the United States are confronted with materially reduced treasury assets of a marketable character, with no increase of any account in actual earnings so far this year, and with uncertainty as to the outlook, even for the rest of the first quarter, not to speak of the first six months or the year as a whole. It should be stated that there has been considerable improvement in sentiment regarding the business outlook since the first of the year. Many thousands of men have been taken back, notably in the automotive industry, and also by the railroads. There is still a rather wide difference of opinion as to how soon and how rapidly the business of the country will turn toward at least a normal volume again.

A Few Certainties

Under such circumstances, the difficulty of deciding upon dividend action for no longer a period than three months, much less for a year, can be readily realized. The difficulty of forecasting probable action is still greater. Nevertheless, there are some railroads in the United States to which this situation does not present a real problem. Probably the outstanding illustration is Norfolk & Western, which, in 1930, notwithstanding the general depression in business which, of course, involved the bituminous coal industry, earned something over $20 per share on its common stock. Even with considerably smaller earnings for 1931, there would seem to be no question about the declaration of the regular dividend of $10 a share on the junior issue, and an extra. Union Pacific is another railroad, regarding the continuance of whose common dividend without change, apparently there can be no doubt. Atchison, believed to be an equally strong railroad, although it does not own millions of dollars of stock in other dividend paying railroads, as does Union Pacific, scarcely more than earned its common dividend in 1930, whereas for 1929 net income was equal to nearly $23 a share on that issue. It is expected that preliminary figures of New York Central for last year will disclose that its full dividend of $8 a share was not covered.

If the business of the country and the traffic and earnings of the railroads are soon to show decided signs of improvement, it is reasonably safe to assume that directors of the large and strong railroads and systems will not even consider reductions in dividends for this year. It is probable also that even if, when they are required to act upon the dividend for the first quarter, the business outlook is not materially better, most of them will be disposed to pay the regular rate as the Atchison board has voted to do, in the hope that such action and continuance of the same rate through the year will be fully warranted. There are some companies that can't do this.

Still Perplexing Problems

Comparatively few major problems of the railroads were definitely solved last year. On the contrary, most of them are still "hanging fire," and, unfortunately, promise to do so for an indefinite time yet. Special reference must be made in all discussions of this kind to the ever increasing competition of the motor bus and truck, private automobile, inland waterways and aeroplanes, and most recently pipe lines. The most discouraging feature of this whole situation, broadly speaking, is the continued failure of those who have the power to adjust these situations, to do anything worth while about them. There is no immediate prospect of action being taken to regulate the motor bus and truck by state and Federal authorities, as is done so completely and aggressively in the case of the steam railroads. The Government has given no indications of its intention to abandon its wholly unfair competition on the inland waterways, with some of the most important railroads in the central area of the United States.

Failing to get action from these authorities, the railroads have adopted a more aggressive policy and are taking more vigorous action in self-defense and protection. They are putting more motor buses and trucks into service and reducing their coach fares. They are planning to co-ordinate as fully as possible the service of the new competing mediums with that of the railroads. But no matter how much railway executives may do along these lines, certain things are necessary to readjustment of the competitive position of the railroads that only Government authorities can do.

In the meantime, holders of American railroad stocks can depend upon the managers of those properties to operate them as aggressively and economically as possible, to save as much out of gross earnings as they can for dividends and surplus, and to pay as large returns to stockholders as the situation justifies.

Although railroad stocks have recovered from $10 to around $30 a share, from the low levels reached before the present recovery started, most of the standard dividend paying issues still yield at least 5% on the purchase price, many of them more. These are the stocks that should be watched. They are likely to have still further substantial recoveries than those of roads of somewhat uncertain asset and dividend position. The leading shares are far below the high levels of 1930, not to speak of 1929.

Position of Railroad Common Stocks

Railroad	Earned per Share 1929	Earned per Share B1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Alabama Great Southern......	$11.24	$12.15	132¼	79	79	$4.00*	5.1	A-1	Paid $9 extra last year due to large extra disbursements by subsidiary.
Atchison	22.69	13.00	242½	168	193	10.00	5.2	A-1	Dividend well secured but extra depends on nearby business recovery.
Atlantic Coast Line...........	14.48	8.00	175½	95¼	113	7.00*	6.2	B-1	Regular dividend seems fairly safe for the present.
Baltimore & Ohio	10.31	6.75	122⅝	55⅝	78	7.00	9.0	B-1	Present dividend rate undoubtedly depends on business recovery.
Bangor & Aroostook	8.46	9.10	84½	50⅛	61	3.50	5.7	A-1	Could easily pay more.
Boston & Maine	7.22	4.02	112	44	64	4.00	6.2	B-1	Present dividend should be continued.
Canadian Pacific	2.79	2.00	52¼	35¼	42	2.50	6.0	A-2	Extra dividends by subsidiaries will probably be used to cover dividends.
Central R. R. of New Jersey..	18.38	11.50	315	189¾	219	8.00*	3.6	A-1	Secure dividend rate, but yield low due to the company's tremendous real estate holdings.
Chesapeake & Ohio	5.42	4.43	51⅜	32⅜	44	2.50	5.7	A-1	Dividend covered by wide margin of earnings. Extras not altogether improbable.
Chicago Great Western	1.44d	1.30d	17¾	4¾	7	....	..	B-2	Remote prospect for common dividends.
Chic., Mil., St. Paul & Pac....	0.95	9.00d	26⅝	4¼	8	....	..	B-2	Great slump in earnings makes dividends unlikely.
Chic. & Northwestern	8.43	4.20	89⅞	28⅛	40	4.00	10.0	B-1	Disbursements barely covered. Reduction in rate possible.
Chic., R. I. & Pacific.........	14.04	5.56	125⅛	45¼	63	7.00	11.1	B-1	Dividend cut to $4 extremely likely, which market appears to have discounted.
Colorado & Southern	8.85	2.50	95	40⅛	42	3.00	7.1	B-1	Earnings decrease badly. The issue nevertheless has minority attractions.
Delaware & Hudson...........	15.14	11.00	181	130⅛	150	9.00	6.0	A-1	Has exceedingly fine dividend record. Reduction unlikely.
Delaware, Lack, & Western...	7.90	4.00	153	69⅛	93	6.00	6.4	A-2	Present dividends depend upon an upturn in earnings.
Erie R. R.	6.04	1.07	63¾	22⅛	32	....	..	B-1	Prospects for common dividends postponed by general business conditions.
Great Northern (Pfd.)	10.31	6.20	102	61	68	5.00	7.3	B-1	Present regular dividend rate on the stock unlikely to change during 1931.
Gulf, Mobile & Northern......	8.51	2.60d	46⅛	10⅛	20	....	..	B-2	Large arrears on the preferred stock make dividend prospects for the common stock remote.
Hudson & Manhattan	4.96	4.69	53⅝	34⅞	40	3.50	8.8	B-1	Exceptional yield appears to be amply protected by earnings.
Illinois Central	9.14	6.00	136¾	65¾	86	7.00	8.1	B-1	Maintenance of the present rate on the common stock highly uncertain.
Kansas City Southern	8.43	4.60	85⅝	34	42	5.00	12.5	B-1	Continuance of dividend depends upon earnings improvement.
Lehigh Valley R. R.	6.08	2.25	84⅞	40	57	3.50	6.1	B-1	Great reduction shown in earnings expected to be only temporary.
Louisville & Nashville	11.73	6.00	138⅛	84	107	7.00	6.5	B-1	Will fail to earn dividend during 1930, although no immediate reduction in present rate is expected.
Missouri-Kansas-Texas	5.10	3.00	66⅝	14⅞	24	A	..	B-1	Another declaration of $1 is anticipated but continuance of these payments depends upon future traffic.
Missouri Pacific	10.42	3.50	98½	20⅜	40	....	..	B-1	Dividend arrears on the preferred stock of nearly $50 per share obscure outlook for disbursements on the common.
New York Central R. R........	16.88	7.00	192¾	105⅛	124	8.00	6.5	A-1	Recent earnings far below normal, but div. safe.
N. Y., Chic. & St. Louis......	15.51	6.70	144	73	87	6.00	6.9	A-1	Dividend earned. With return to normal conditions is likely to pay more.
N. Y., N. H. & Hartford.....	11.72	7.33	128⅛	67⅝	86	6.00	7.0	A-1	Earning power appears restored. Yield attractive.
N. Y., Ontario & Western.....	0.43d	0.30d	17¼	3¾	7	....	..	B-2	Very remote dividend possibilities.
Norfolk & Western	29.06	22.00	265	181⅛	212	10.00*	4.7	A-1	Recently paid $2 extra. Has large margin of earnings over regular dividend requirements,
Northern Pacific	8.79	6.40	97	42⅜	58	5.00	8.6	B-1	Attractive yield. Dividend safe.
Pennsylvania R. R.............	8.82	5.30	86⅝	53	63	4.00	6.3	A-1	Present dividend rate appears unquestionably secure, despite adverse rumors.
Pere Marquette	13.94	2.70	164⅛	76⅛	77	6.00*	7.8	A-2	Present earnings abnormally low. Should do much better in the near future.
Pitts. & W. Virginia	6.89	4.60	121¾	48½	75	6.00	8.0	A-2	Holds strategic position for merger. A cut in dividend rate not an impossibility.
Reading Co.	9.08	4.50	141½	73	90	4.00	4.4	A-1	Attractive merger position. Could pay more with return to normalcy.
St. Louis-San Francisco	11.86	4.08	118⅞	39¾	60	8.00	13.3	B-1	Dividend cut to $3, at least, very likely.
St. Louis Southwestern	0.64	6.50d	76⅜	17⅛	30	....	..	B-2	Southern Pacific control likely to result profitably for common stockholders.
Southern Pacific	12.74	7.70	127	88	102	6.00	5.9	A-1	Attractive investment issue. Present dividend rate unlikely to be changed either way for some time.
Southern Railway	11.65	4.50	136¾	46⅛	59	8.00	13.6	B-1	Dividend outlook uncertain.
Texas & Pacific R. R.........	12.76	6.36	145	85	100	5.00	5.0	B-1	Attractive minority rail. Dividend safe.
Union Pacific	20.37	16.00	242¾	166⅛	195	10.00	5.1	A-1	Could easily pay considerably more.
Wabash	5.67	nil	67⅝	11¼	20	....	..	B-2	Speculative merger position more important in this issue than dividend prospects.
Western Maryland	2.65	0.87	36	10	15	....	..	B-2	Dividend prospect somewhat remote. Merger position interesting.
Western Pacific	2.96d	3.30d	30⅛	7⅛	12	....	..	B-2	Dividends accumulations on the preferred $12. Near future disbursements on the common improbable.

d—Deficit. * Plus extras. A—Paid $3 last year—no regular rate. B—Estimated or based on preliminary reports.

Utility Dividends Generally Secure

State Legislation Not to Be Feared

By Francis C. Fullerton

According to an old saying, "where there is smoke there is fire." The cloud of smoke now surrounding the public utility industry, therefore, would lead one to believe that at the core of it all something of an inflammatory nature must really be present in the situation. Otherwise, why should this great industry be subject to a barrage of political agitation with legislators everywhere demanding investigations and closer regulation? Indeed, 43 of the 48 state legislatures will hold sessions in 1931, and in most of them questions concerning power production and utility regulation will come up, and in some of these states the question will bulk large.

The amazing growth of the public utility industry in the past decade and the exceptional prosperity which it has enjoyed, particularly the electric and gas divisions which are now the most important of the so-called utility services, have been the cynosure of all eyes. Even in a year of rather severe depression such as 1930 the industry continued to display its dynamic characteristics, the chief effect apparently being a slowing down of the rate of growth which it has shown over a long period of years. It is, perhaps, this prosperity which accompanies the inherent characteristic of growth which has aroused legislators into the belief that the utility companies are getting more than they are entitled to over and above a fair return on their investment, and as the industry is quasi-public in nature, it is up to them to protect the public from being overcharged.

The question, however, is a complicated one and its solution if any is no mere matter of hasty and arbitrary legislation. The industry as a whole, however, does believe that its own interests as well as the public's is always best served by effective state regulation, and any well considered measures designed to strengthen the confidence of the public in the regulation of public utilities will undoubtedly receive the co-operation and the support of the entire industry. Agitation against the public utility companies will always be circumscribed by certain rights and general principles of regulation that have been established through a long series of commission and court cases. These decisions confirm the right of a utility company to a fair return on capital investment, or more explicitly, on the present depreciated reproduction cost of the properties. In them the companies are secure from unjust legislation.

The complex nature of the power and light industry, its magnitude, and its operations in all kinds of localities make the regulation problem a difficult one. A large part of the market is competitive, i.e., the industrial market as well as a considerable part of the commercial market, while only the domestic and the small retail business is monopolistic. From the standpoint of revenues, the domestic or residential electric business contributes approximately 37% of the total, other retail light and power 26%, while wholesale electric power and light sales account for the remaining 37%. The interrelation of these various types of business complicates the matter of determining whether domestic rates are equitable.

Of paramount importance in formulating a rate structure is the load factor, that is to say the ratio of the average use of electricity to the greatest amount used over a short period. Residential load factor is very low, probably not higher than 30% for the country as a whole. The addition of industrial electric business improves the load factor considerably, so that although this type of current is sold at low wholesale rates, it actually benefits the residential and small retail user by permitting lower rates to them also. Combined load factor for all types of electric business is about 36%.

With an increasing use of household electric equipment and appliances, the residential load factor will gradually increase permitting further rate reductions. Indeed, it is estimated that if every household now using electricity were fully provided with appliances and equipment, the residential load factor would be in the neighborhood of 65%. The fuller use of electric generating capacity which this high load factor signifies would unquestionably result in much lower rates than the present. The fact remains that the average residential rates have dropped steadily for many years, and in 1930 this decrease amounted to 4.4%, or from 6.39 cents to 6.10 cents per kw.-hr. The average annual consumption per residential customer increased 10% in the same year from 493 kw.-hrs. to 542 kw.-hrs.

Because of the Castor and Pollux relationship between the gas and the electric branches of the public utility industry regulation and rate controversies apply to gas, natural and manufactured, in much the same degree. Important developments have been under way in expanding the use of gas which promise rejuvenation to this branch of the industry.

The outcome of the present political agitation against the utilities may be closer regulation, but the industry as a whole is in favor of well-considered regulation. Discounting this factor, the industry will probably continue the progress so characteristic of it in the past decade. The earning power has been well sustained and dividend payments as a rule are conservative and dividend rates generally are well protected. The tendency at present is toward cash distributions rather than payment in stock. When business and industrial activity again recover the public utilities should be one of the first to experience improvement.

Position of Public Utility Common Stocks

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
American Light & Traction....	$3.35	$3.72s	89¼	40	47	$2.50	5.3	A-1	Serves gas in an industrial area. Earnings holding up well. No change probable in div'd rate.
American Power & Light......	4.58	4.10s	119⅝	36½	48	1.00 +4% st.	2.1	A-1	Wide geographical diversification stabilizes earnings. Cash plus stock payments will probably continue.
American Tel. & Tel..........	12.67	10.40	274½	170⅝	189	9.00	4.8	A-2	Increase in stock reduced per share earnings. No change in div'd looked for.
American Waterworks	4.00	3.30n	124⅞	47⅝	57	3.00	5.3	A-1	Dividend last year put on all cash basis. Recovery of earnings awaits industrial revival.
American & Foreign Power....	4.01	2.72Je	101⅜	25	30	....	..	A-1	Foreign upheavals retard earnings, but outlook now better. Will probably defer div'd further.
American Gas & Electric......	4.92y	4.58sy	128½y	60⅝y	73	1.00 or 4% st.	1.4	A-1	Resumption of industrial activity will greatly benefit co. Same dividend rate will probably be maintained.
Associated Gas & El. "A"....	2.77g	3.00g(e)	46½	13⅞	20½	2.00 or 10% st.	9.8	B-1	Business expanding moderately. Preference div'd of $2 on "A" shares covered.
Brooklyn Union Gas	7.66	7.50e	178¼	98⅛	110	5.00	4.6	A-1	1930 results approximately the same as 1929. Present rate will probably be continued.
Central Public Service "A"....	1.93d	NF	42⅝	11½	18½	1.75 or 10% st.	9.5	B-1	Last year continued rapid expansion through acquisitions. Div'd on "A" stock may be shaded.
Columbia Gas & Electric.......	2.49	2.17s	87	30⅝	36	2.00	5.6	A-1	Is expanding natural gas facilities rapidly in East. Earnings barely cover dividends.
Commonwealth & Southern....	0.75	0.61	20¼	7½	9½	0.60	6.3	A-1	Dividend may be reduced this year in view of drop in per share earnings.
Con. Gas, El. Lt. & P. of Balt.	6.26	5.28	136⅞	78	86	3.60	4.2	A-1	Rate reductions have affected net, but growth continues satisfactory.
Consolidated Gas of N. Y......	4.75	NF	136⅞	78¼	90	4.00	4.5	A-1	Present dividend rate will probably be continued this year.
Detroit Edison	11.17	8.75	255⅝	161	183	8.00	4.4	A-1	Industrial depression has severely affected business. Present div'd will probably be continued, however.
Electric Bond & Share.........	1.97	2.52o	117⅞	37½	44	6% st.	6.0	A-1	No change in present manner of payment looked for.
Electric Power & Lt..........	2.96	2.93s	103⅛	34⅝	48	1.00	2.1	A-1	Large interest in natural gas should prove profitable when industry recovers. No change in div'd looked for.
Federal Water Service "A"....	3.29	2.85n	43	17½	28	2.40	8.6	B-1	Earnings per share off moderately, but dividend will probably be maintained.
General Gas & Elec. "A"......	0.47	0.48s	18⅜	3⅞	5½	0.30 or 6% st.	5.5	B-1	Chiefly an investment company; affiliated with Assoc. G. & Elec. Co. No change in style of div'd probable.
Interborough Rapid Transit....	nil Je	def Je	39½	20⅝	35	....	..	B-2	Nothing available after Manhattan gtd. dividends. Political situation clouds outlook.
Intern'l Hydro Electric "A"..	2.11z	2.22sz	54	18⅛	25	2.00 or 8% st.	8.0	A-1	Earning power developing as additional power contracts become operative. No change in dividend.
International Tel. & Tel......	3.08	2.25s	77⅝	17⅛	26	2.00	7.7	A-1	Earnings sharply down because of depression here and abroad. Dividend may be reduced.
Louisville Gas & Elec. "A"....	2.39	NF	51¼	25	30	1.75	5.8	A-1	Earnings in 1930 about same as 1929. No change in dividend probable.
Middle West Util..............	1.18	1.55s	38	14⅝	22	8% st.	8.0	A-1	Is showing substantial gains in gross and net. Present dividend is likely to remain for time being.
National Power & Lt..........	2.17	2.24	58⅜	30	36	1.00	2.8	A-1	Earnings increasing gradually. No change in rate likely this year, although could easily do so.
North American	4.82	4.63s	132⅞	57⅛	71	10% st.	10.0	A-1	Company strongly intrenched. No change contemplated in payment of stock dividends.
Pacific Gas & Electric.........	3.53	3.16s	74⅞	40½	47	2.00	4.2	A-1	Is issuing rights to common stockholders to buy additional stock at $25 a share in rates of 1 for 10.
Pacific Lighting	4.54	4.53n	107⅞	46	55	3.00	5.5	A-1	Lower rates for gas may have temporary adverse effect, but dividend is being earned by fair margin.
Peoples Gas, Light & Coke.....	11.97	11.50	325	185¼	232	8.00	3.5	A-1	Earnings well maintained, with present dividend rate practically assured.
Public Service of N. J..........	3.98	4.16Je	123⅝	65	80	3.40	4.2	A-1	Is issuing rights to common stockholders to subscribe to additional stock at $65 per share in rates of 1 for 20.
Southern California Edison.....	3.51	3.44	72	40⅛	49	2.00	4.1	A-1	Is issuing rights to subscribe to additional common at $25 in ratio of 1 for 10.
Standard Gas & Electric......	6.59	NF	129¼	53⅛	65	3.50	5.4	A-1	Earnings from utility properties about same in 1930 as 1929. No change in div'd likely.
United Corp.	0.49	0.78	52	13⅞	21	0.50	2.4	A-1	Earnings derived from income from investments. Rate this year probably 75 cents.
United Gas Improvement......	1.55	1.53s	49⅝	24¼	29	1.20	4.1	A-1	Business has expanded moderately. No change in dividend looked for.
United Light & Power........	2,32	2.19n	56	19⅜	26	1.00	3.8	A-1	Diversification tends to strengthen earnings position. No change in rate probable for awhile.
Utilities Power & Lt. "A"....	3.02	2.41sz	45⅝	19¼	25	2.15 or 10% st.	8.6	B-1	Cash dividends in excess of $2 preference will be continued depending on earnings this year.
Western Union	15.11	9.10	219⅝	122½	140	8.00	5.7	A-2	Depression has sharply affected earnings, but present rate will probably be maintained.

s—12 months ended Sept. 30th. o—12 months ended Oct. 31st. n—12 months ended Nov. 30th. Je—12 months ended June 30th. d—Before depreciation. e—Estimated. g—Earnings applicable toward payment of "A" dividends. y—On basis of present stock after 20% stock div'd paid Jan. 2, 1931. z—Maximum distributable. NF—No figures available.

More Dividend Adjustments Probable in the Motor Industry

By RICHARD BANBURY

AS the automotive industry swings into 1931, it becomes increasingly evident that improvement will be a gradual process. There will, of course, be a seasonal increase of output and sales during the Spring but the results for the first half of the year will probably be substantially below the corresponding period of 1930. The hope of the industry lies in the second half of the year, when, in response to and depending on a gradual recovery in general business, the automobile industry should attain a more normal stride. At present it does not appear as if the industry will exceed a total production of 4,000,000 units, which will compare with an output of approximately 3,500,000 units in 1930 and 5,651,000 in 1929.

Typically a mass production industry and geared to a high rate of output if profits are to be made, the sharp drop in volume in 1930 naturally had a decimating effect on the earnings of practically every company. Although a more rational policy with respect to keeping production in line with actual demand was adopted, thereby improving the inventory position of the dealers, competition nevertheless was keen and profit margins low. The industry has undergone a period of readjustment, a period indeed which necessitated economies and reduced costs. The adverse effects of the readjustment were more severe on some companies than on others; dividends in almost every instance were reduced or passed entirely.

The past decade has witnessed a phenomenal expansion of the automobile in the United States until at the end of 1930 registrations numbered about 26,650,000 vehicles against only 9,232,000 at the end of 1920. This tremendous expansion was fostered by an unprecedented decade of prosperity and by steady price reductions which successively tapped lower and lower purchasing strata. Further price reductions will unquestionably have the tendency to increase still further the number in use, but there is an unmistakable slowing down in the rate of increase. Indeed, within the next two or three years, a point of stability may be reached which will leave the industry only a replacement market. This in itself, however, is tremendous considering that the average life of a car is ap-

Position of Leading Motor Shares

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Auburn	$21.28	$5.43	263¾	60⅝	139	$4.00 +8% Stk.	2.9	B-1	Aggressive management has kept company in the fore. Stock dividend may be dispensed.
Brookway Motor Trucks	0.54	def	22¾	1⅝	3	....	..	B-2	Company in receivership. Probably needs new capital to start operations again.
Chrysler	4.94	0.50e	43	14⅛	17	1.00	5.9	B-1	Dividend which was reduced to present basis in 1930 will probably be maintained in 1931, pending developments.
General Motors	5.49	3.00e	54½	31⅛	38	3.00	7.9	B-1	Dividend barely earned, and unless 1931 shows improvement, rate may be reduced.
Graham-Paige	def	def	13⅜	3	4	....	..	B-2	Outlook doubtful, with nothing shown in way of earnings since 1928.
Hudson	7.26	1.00e	62⅝	18	22	3.00	13.6	B-1	Continuance of rate depends on results for first half of 1931. Outlook fair.
Hupp	2.29	nil	26⅝	7½	8	....	..	B-1	Dividends discontinued late last year. Financial position still strong.
Mack Trucks	9.05	3.30e	88⅛	33⅝	38	4.00	10.5	B-1	May reduce dividend to lower rate, unless 1931 prospects shape up well.
Nash	6.60n	2.78n	58½	21⅛	31	4.00	12.9	B-1	Dividend was cut from $6 last year, but conservatism may dictate further cut if business is on low level.
Packard	1.68	0.50e	23⅝	7¼	9	0.60	6.7	B-1	Strong financial position and company's standing points to fair outlook, but dividend may be further cut.
Reo	0.58	nil	14⅜	7⅜	9	0.80	8.9	B-1	Sound financial position. Management aggressive and business picking up, but div. may be changed.
Studebaker	5.53	1.30e	47¼	18⅛	22	3.00	13.6	B-1	Has a long dividend record, but unless first half of 1931 shows improving trend, rate may be cut again.
White	3.18	1.75	43	21⅝	23	2.00	8.7	B-1	Company in sound position, and adjusted to current business. Dividend will probably be maintained.
Willys-Overland	2.06 def	1.30 def	..	..	5	....	..	B-3	New management has thoroughly overhauled company, and is ready for better results in 1931.
Yellow Truck	0.06	0.15	22⅝	8⅛	10½	....	..	B-1	Earning power beginning to show after many years of development work.

n Fiscal year ended Nov. 30th. e Estimated.

proximately 6¼ years. On the basis of the cars now in use the replacements should total about 4,300,000 vehicles annually. In 1930, replacements amounted to some 2,800,000 cars, while new and multiple car buyers accounted for only some 150,000 automobiles.

The industries directly dependent upon automobile manufacturing, i.e. the automobile parts and accessories industry and the tire industry, experienced a sharp reduction in original equipment business, but the general economic depression which gripped the country also had an adverse effect on replacement business, although on the face of the situation one would be inclined to believe that with many families economizing and making their old cars do instead of buying new cars, replacement business would increase. Depressed operating rates of the parts companies caused a precipitate decline in profits, accentuated by lower prices for their products.

Statistics for the year 1930 show that original equipment business dropped 46% from the volume attained in 1929, while replacement business dropped only 14%, a clear indication of the greater stability of the latter type of business, which moreover is the more profitable from a per unit basis. Combining all types of automobile parts and accessories business, the slump amounted to 39%.

A significant trend in the motor industry is the swing to lower priced cars. Last year the two large low priced car producers, Ford and Chevrolet, accounted for about 63% of the total car market, against 54% in 1929. The gain in this division was at the expense entirely of the medium priced car manufacturers, as in the high priced field, that is to say cars selling above $2,000, there was a relative gain last year so far as the proportion of the price class market was concerned. The brunt of the business depression therefore had to be borne by those companies which were unfortunate enough to occupy this middle position, and this year these companies will probably continue under this sinister influence. And now comes an additional threat to the manufacturers of medium priced cars in the guise of an eight cylinder car to be produced by Ford and to be priced in the neighborhood of $1,000 or slightly under the lowest price of any eight cylinder car now on the market. While no concrete evidence is yet at hand to confirm that Ford will enter this field, it seems a foregone conclusion that if he does a number of the present companies will disappear from the picture.

Earnings in 1931 will probably be spotty with some companies showing improvement over last year while others will show a decline. Further reductions in dividends are in prospect. This applies both to the automobile manufacturers and to the parts and accessories companies.

Position of Leading Tire and Accessory Stocks

Company	Earned per Share 1929	Earned per Share 1930	Price Range 1930 High	Price Range 1930 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Bendix Aviation	$3.53	$0.81s	57⅝	14¼	20	$1.00	5.0	B-1	Dividend rate reduced from $2 in Dec., 1930. Longer term prospects good.
Borg-Warner	6.02	2.00	50½	15	24	1.00	4.2	B-1	Wider adoption of free wheeling gives company fair outlook. Dividend reduced twice last year.
Briggs Manufacturing	1.21	2.26	25⅜	12⅛	17	1.50	8.8	B-1	1931 business should be at least equal to 1930. Extra dividends bring rate to $2 per share.
E. G. Budd Mfg. Co.	0.98	nil	16⅝	3	4	....	..	B-2	Leader in manufacture of all steel bodies. Earned nothing on common and outlook still clouded.
Bohn Aluminum	7.43	2.05	69	15¾	24	1.50	6.3	B-1	Business has fair measure of diversification but earnings depend chiefly on auto output. Attractive for long pull.
Continental Motors	0.33	nil	8¼	2⅝	3	....	..	B-2	Suffered heavy losses from operations in 1930. Financial position, however, sound.
Eaton Axle & Spring	5.00	2.00e	37¼	11⅝	15½	1.60	10.3	B-1	Dividend cut recently in view of lower earnings. Does a fair replacement business.
Electric Autolite	15.35	4.51s	114⅞	33	53	6.00	11.3	B-1	Business recently reported as improving, but dividend will probably be cut this year.
B. F. Goodrich	5.10	nil Je	58½	15¼	16	....	..	B-1	Cut-throat nature of tire business has prevented profits. Improvement likely in 1931, but resumption of dividend doubtful.
Goodyear Tire & Rubber	10.23	2.02Je	96⅝	35⅝	41	5.00	12.2	B-1	Probably lowest cost producer in field, but present dividend may be subject to reduction.
Kelly-Springfield	def	def	6⅞	1	1½	....	..	B-2	Despite attempted receivership proceedings, company appears in good financial position.
Kelsey Hayes Wheel	4.11	3.10e	38⅞	19⅛	24½	2.00	8.2	B-1	Leading manufacturer of wheels. Earnings holding up relatively well.
Marlin Rockwell	7.43	2.15s	55	21¼	24	2.00	8.3	B-1	Recently paid special $2 dividend out of surplus. Not much improvement anticipated in near future.
Motor Wheel	4.22	1.20e	34	14¼	15	3.00	20.0	B-1	Economies have enabled company to make fair showing, but dividend will probably be reduced.
Murray Corp.	2.10	0.96s	25¼	9	13	....	..	B-1	Has improved financial position in 1930. An erratic earner. Dividend resumption will probably be deferred for some time.
Spicer Manufacturing	5.09	0.28s	36½	7⅝	12	....	..	B-1	Sharp drop in earnings, but some improvement is likely in 1931. No dividends ahead yet.
Stewart-Warner	5.37	0.97	47	14⅜	15	....	..	B-1	Inventory write down and liberal reserves place company in good position for improvement in 1931.
Timken Roller Bearing	6.20	3.02s	89¼	40⅛	45	3.00	6.7	B-1	Policy of diversifying aids position of company. Present dividend appears safe.
United States Rubber	def	def e	35	11	13	....	..	B-1	Still undergoing house cleaning. No dividends apparent for some years. Stock a speculation.
Young Spring & Wire	5.36	3.15s	47	19	28	3.00	13.0	B-1	Has earned dividend in 1930, and current year may see some improvement.

s—9 months ended September. Je—6 months ended June. e—Estimated.

INDUSTRIALS

R. J. REYNOLDS TOBACCO

Prosperity Continues Unimpaired

Recent Report Shows Strong Financial Position—Favorable Prospects and Good Yield

By HENRY RICHMOND, JR.

LOVELY maidens in modern, albeit conservative, attire, who chat cosily with equally respectable and well dressed young men having handsome sunburned faces. They may sit before log fires; they may recline on tropical beaches; or possibly they are to be seen watching the fashionable game of the moment. They undoubtedly have an air—something that is intended to evoke a desire for the better things of life. Can anyone in these United States be unfamiliar with them—the advertising emissaries of R. J. Reynolds Tobacco Co.?

The Reynolds Co. is spending some $15,000,000 a year to bring before the public these pleasant scenes and incidentally their own principal product—the ubiquitous "Camel" cigarette. This advertising expenditure is no small item for any company, even for one of the great earners, and it might well be brought out here that the "good-will" induced thereby is carried on the books of the company at the nominal sum of $1, whereas it might be valued, without exaggeration, at $150,000,000. If this were considered an asset it would roughly double the book value of the common stock, which is now calculated to be around $16 per share.

Reynolds Headquarters, Winston-Salem, N. C.

A Steadily Growing Market

Any study of the present day tobacco companies must of necessity commence with the World War for it was with this event that the industry reached manhood. Nervous troops smoked incessantly. It was something to occupy their hands while waiting . . . Equally nervous women acquired the habit. It prevented them from thinking. And so was the stage set for the little paper cylinders of tobacco which came into public favor throughout the world. In the United States cigarette consumption quadrupled in four years, jumping from 16,869 million in 1914 to 46,657 million in 1918. The Reynolds Tobacco Co. was among the largest gainers from the change in the world's smoking habits. It was both lucky and clever. Lucky, because the "Camel" was introduced in 1913, and clever, because it was the first cigarette company to nationally advertise one brand.

The tremendous momentum given to cigarette consumption by the World War did not stop with the armistice, although the depression of the years 1920 and 1921 resulted in some small setback to a phenomenally steady movement. Last year in the United States consumption was about 120,000 million cigarettes, while production would be some 10% greater than this to care for export requirements.

The large cigarette companies regard all production figures as a deep and dark secret and although actually known only to a favored few in each organization they are widely discussed and estimated. It is calculated that the number of "Camels" produced last year was something over 37,000 million; probably not the greatest production for there is reason to believe that the "Lucky Strike" of the American Tobacco Co. slightly exceeded it, but Reynolds' brand was certainly among the leaders.

The R. J. Reynolds Tobacco Co. was founded in 1875, although it was not until 1899 that it was incorporated, receiving a perpetual charter from the State of New Jersey in that year. Later, the company found itself in the grasp of James B. Duke, founder of the American Tobacco Co. and "king-pin" of the tobacco "trust." It took all the might of a Supreme Court decision under the "Anti-trust Laws" to break the combination, but it was accomplished in 1911. Since that date Reynolds as an independent has steadily grown

until today it is in a high place in size and earning power.

The company's manufacturing plants are concentrated at Winston-Salem in North Carolina—the State paying more in Federal taxes than any other with the exception of New York. Winston-Salem is in the centre of the district which produces the golden Carolina tobacco leaf. Here are located the cigarette machines, each turning out between 600 and 800 "Camels" a minute. Here, "Prince Albert" smoking tobacco in its familiar red tin is put up and here the company manufactures its chewing tobaccos, "Brown's Mule" and "Apple." In Winston-Salem one can usually find most of the twelve directors and many of the 12,000 Reynolds' employees. It is a peculiarity of the Reynolds Tobacco Co. that all the directors are employees of the company and are usually in charge of some department, a position attained after many years of service. For example, W. N. Reynolds, chairman of the board, has been identified with the company since the early '80's. He has a thorough knowledge of tobacco itself and is an expert buyer. Bowman Gray, president, has been with the company some thirty-six years and has, of course, held many positions.

R. J. Reynolds Tobacco Co. is unique also among the leaders in the industry insofar as it has no preferred stock, no funded debt and owes no money except unavoidable current items. The entire capitalization consists of common stock, which is divided into two classes, "common stock," outstanding in the amount of 1,000,000 shares, and Class B common stock, outstanding in the amount of 9,000,000 shares. The only difference between these two issues is that the "B" stock has no voting power. Both are of $10 par value. Perhaps the most striking thing about the balance sheets of all large tobacco companies is the enormous inventory. Reynolds carries this item at over $91,000,000 while both American Tobacco Co. and Liggett & Myers valued their inventories in their last statements at well over $100,000,000. This becomes less alarming when one realizes that it represents principally raw tobacco, which requires between two and three years of preparation before it becomes fit for manufacture.

There appears in the latest balance sheet of the Reynolds Co. another interesting item. It is an asset of nearly $9,500,000, which represents holdings of the company's own stock, understood to be mainly Class B. Prior to December 31, 1929, some 400,000 shares of this stock were purchased for about $20,000,000. During last year approximately half this block was sold privately at a price yielding the company a profit, which profit was applied to reduce the cost of the stock still held. The purchase of its own stock by a company has interesting possibilities and, although no definite policy has been evolved either by the Reynolds Co. or any other so far as is known, it may be that in this movement lies the remedy for wildly fluctuating market prices so disturbing to stockholders and detrimental to a company's credit. The Class B. common stock of the Reynolds Tobacco Co. has shown remarkable price stability under all conditions —which may, or may not, mean something.

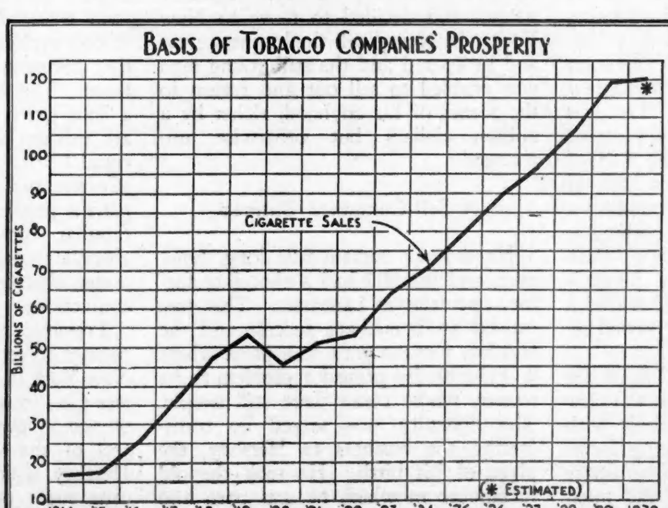
Apart from inventories, holdings of its own stock and "goodwill" which is carried at $1, the balance sheet of the R. J. Reynolds Tobacco Co. requires but little comment. The company's position is impressive. Current assets, not including its own stock, despite its being readily marketable, totaled $136,639,000 while current liabilities were but $10,801,000. This would indicate a working capital of $125,838,000—a new high record.

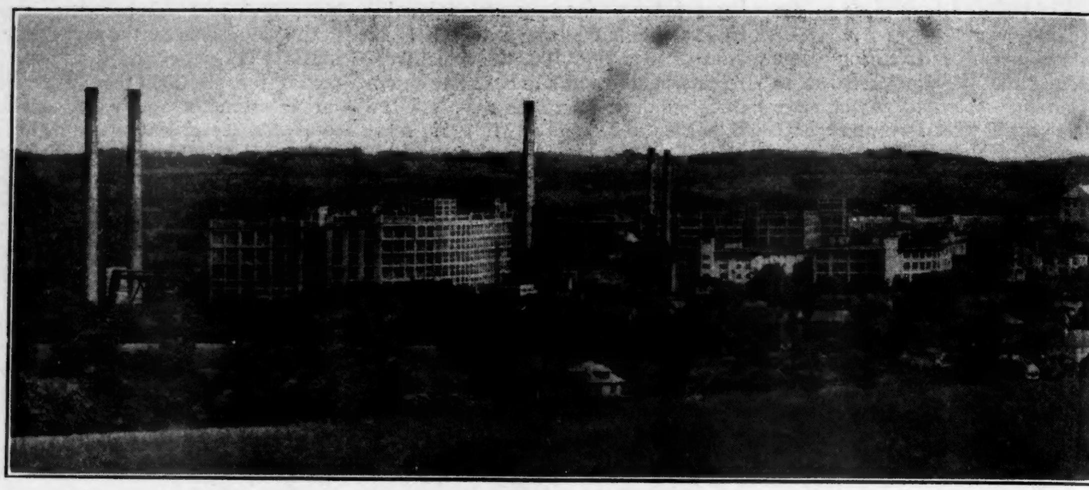
The earnings of R. J. Reynolds Tobacco Co. have shown steady increases for a number of years. In 1920 net income amounted to $10,691,000, while for 1930 it had grown to $34,257,000, equal to $3.42 per share on the combined issues of common stock. This compares with net income of $32,211,000, equal to $3.22 per share for the year 1929. Despite the fact that earnings for 1930 registered a new high record for all time they were below earlier estimates and were considered somewhat disappointing by many who had failed to take into consideration a slowing down in the rate of increase in general cigarette consumption and an acceleration in advertising expenditures sustained by this particular company.

The Reynolds Co. has a well-deserved reputation for generosity toward its stockholders. During 1930 dividend payments of $30,000,000 were the largest in the history of the company and compared with $25,500,000 for 1929 and $26,000,000 for 1928. The 1930 disbursements represented over 87% of net income, while during the two previous years an even greater percentage was distributed. Moreover, in recent years the company has paid a number of extra cash dividends and stock dividends. The outstanding Class B common stock has been increased from $10,000,000 in 1920 to the present amount of $90,000,000 by a 200% stock dividend in 1920, 33⅓% in 1922 and 25% in 1927. (The voting stock received its dividends in Class B common.) The present rate is $3 per share annually on both issues, having been increased from $2.40 per share as of January 2, 1930, and affords a yield of about 7% on the "B" stock at the present price of about $42 per share.

There are but two contingencies which might possibly dim the excellent prospects of all the leading American tobacco companies. It is, of course, obvious that there is bitter rivalry between the three leading companies, R. J. Reynolds Tobacco Co., American Tobacco Co. and Liggett & Myers Tobacco Co., while P. Lorillard Co., with its "Old Gold," although somewhat in the background, is nevertheless rising for the fray. Competition is exceedingly keen. The battle at the present moment is being waged through national advertising on a stupendous scale and now that total cigarette consumption is showing some slowing down in its customary rate of increase there is the possibility of the advertising bombardment being intensified. Should this be the case and assuming the continuance of a much slower rate of increase in total

(*Please turn to page 524*)





Hershey Factories at Hershey, Pa.

HERSHEY CHOCOLATE

Making Dollars Out of Chocolate

Preferred Stock of Conservatively Managed Company Showing Earning Stability Worthy of Investors' Consideration

By J. C. CLIFFORD

A POOR boy leaves the family farm to do and dare among the pitfalls and temptations of the city—the initial years of struggle—the eventual success—the joyous return to the old homestead, rich and successful. Let the sophisticated sneer. It is an old threadbare tale, but ever fascinating whether in a play, a book, or actuality. On September 3, 1857, a boy was born in a Pennsylvania farmhouse some few miles East of Harrisburg. He was Milton Snavely Hershey, the farmer's boy of the old tale. In the life of M. S. Hershey, there has been little of the dramatic, unless quietly building a $100,000,000 business from nothing is dramatic in itself. It is a plain straightforward story of the farmer's boy who made a fortune, and reared a great company now publicly-owned by thousands of shareholders.

Young Hershey lived the life of the average country lad and when the time came attended the local schools with the children of the neighboring farmers. He appears to have had no desire to enter agriculture himself and upon leaving school became apprenticed to the "Lancaster Farmer," a paper typical of its name. This connection was short lived and he turned to the manufacture of candy, moving to Philadelphia at the age of twenty-one where he obtained his own shop. Here he attained but a very moderate degree of success and decided to move to New York. In New York the business grew and prospered and the still young man was enabled to sell out and return to the scenes of his boyhood, richer by a million dollars but otherwise unchanged.

A Self-Contained Business

He did not remain idle long, however, and in 1893 had a chocolate factory operating in Lancaster. This, too, proved an immediate success and the Hershey fortune grew to a point where it undoubtedly proved a problem to its owner, whose tastes were still simple. The difficulty was solved by transferring the business to Hershey, the place of his birth. He took the old farmhouse in which he was born and around it erected a model town.

Hershey, Pennsylvania, is indeed a model town, clean, peaceful and surrounded by dairy farms. It has its own electric railway, power station, ice plant and a modern amusement park, to which people travel as many as fifty miles. Its streets are wide and lined with trees. It has its own churches, schools and clubs. The greater part of the company's 2,200 employees live there. The manufacturing plants have a floor space of more than fifty acres, are modern in every respect and fully equal to the task of turning out in an effective and sanitary manner the company's products. These comprise the familiar brown and silver wrapped chocolate and almond bars, breakfast cocoa, chocolate syrup and other allied confections.

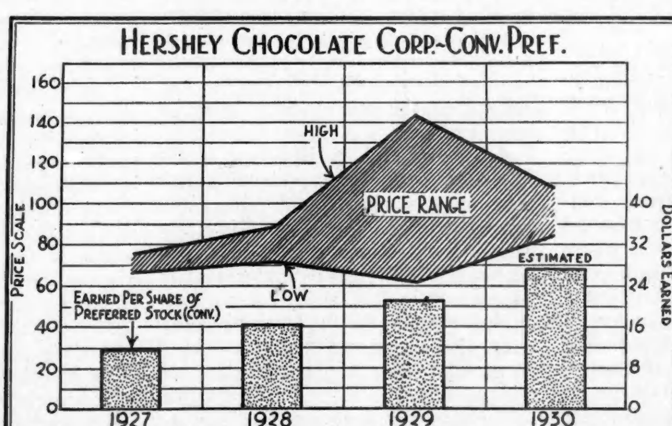
Previous to the formation of the present company under the laws of New York in 1927, the Hershey Chocolate Co., incorporated in Pennsylvania, owned in most cases 100% stock control of the various public utilities of Hershey, a department store there and cane sugar properties in Havana with their transportation systems and termi-

nals, in addition to subsidiaries directly concerned with the manufacture of chocolate. The new company, however, acquired the latter only and its property now consists of the manufacturing plant at Hershey, including the mechanical department and printing department; 100% stock control of the Lebanon Creamery Co. occupied in the business of collecting and selling milk; 100% stock control of the Hershey Condensing Co., whose business is the selling of milk and milk products; 100% stock control of the 109 West 21st Street Corp. owning the real estate of that address which is occupied by the New York offices of the Hershey Chocolate Corp. and the manufacturing plant of the Chocolate Sales Corp. The last concern, which acts as general sales agent for Hershey, is also controlled.

The present outstanding capitalization of the Hershey Chocolate Corp. consists of 293,480 shares of $4 cumulative preferred stock of no par value and 706,520 shares of common stock, also of no par value. Of the common stock 500,000 shares are held in trust for the Hershey Industrial School. There is no funded debt, although the company has probably negotiated bank loans of three or four million dollars in order to take up the last outstanding shares of prior preferred stock which were called for redemption as of November 15, last. This issue was originally outstanding in the amount of $15,000,000 and has gradually been retired without recourse to new financing. The $4 preferred stock, in which we are here primarily interested, is entitled to cumulative dividends at the rate of $4 per share per annum and an additional dividend of $1 per share must be declared and set aside on this stock before the common becomes entitled to any disbursement. In addition to voting power, it is convertible into common stock at any time, thereby affording a satisfactory and well-protected yield to which is added the further attraction of unlimited capital appreciation.

Both sales and earnings of the Hershey Chocolate Corp. and predecessor companies have doubtless increased steadily over a great many years, but, on account of the reorganization in 1927, which witnessed the formation of the present company, little is to be gained by quoting figures prior to that date. For the year 1928 net sales totaled $38,131,000, while for 1929 they had increased to $41,372,000. For the first nine months of last year sales amounted to $29,851,000 which compares with $31,168,000 for the corresponding period of 1929. Despite a somewhat lower volume of business for 1930, net income is likely to be but little below the figure reported for 1929, when $7,436,000 was shown, due to a wider margin of profit in the later period. It should be particularly noted, however, that the per share earnings on the $4 preferred stock have increased out of all proportion to the gain in net income. This has been due to the retirement of the prior preferred stock and a reduction in the number of $4 preferred shares outstanding caused by execution of the convertible feature.

On account of these two factors then, the $4 preferred stock which one buys today is an issue vastly stronger than was the same stock two or three years ago. For the year 1927 earnings on the junior preferred stock, on an adjusted basis, were equal to about $12.50 per share, while for 1928 and 1929 actual earnings were equivalent to $16.25 and $21.36 per share respectively. It is estimated that for the whole year 1930 about $27.50 per share will be shown, the actual result depending upon year end inventory adjustments. Regular dividends have been paid on the convertible preferred stock since issuance, while $1 extra, in accordance with the company's charter, was declared payable February 15, 1930, at which time dividends on the common stock were initiated. On the well-founded assumption that $5 annually will continue to be paid, the yield on the preferred stock is over 5.2% at present prices of about $95 a share.



Hershey Chocolate Corp., selling the greater part of its output at a fixed price, is favorably affected by the present low prices for the various raw materials entering into its products. Sugar is now selling not far from its all time low, while cocoa is currently quoted between 5½ and 6 cents a pound as against an average price over the last five years of roughly double this amount. In consequence the company's margin of profit then has been much widened and there is every indication that this condition will obtain for some time to come. The full benefit of the low prices, however, has not yet been felt, as it has been partly offset by an increase in the size of the company's chocolate bars made a year or so ago and in addition there have been inescapable inventory losses. It is understood that these losses have been reduced to a minimum and it was officially stated only recently that Hershey's inventory position was the most satisfactory in the history of the company. This was confirmed in the report issued on September 30, last, which showed inventories of $8,334,000, whereas on December 31, 1929, they aggregated $12,172,000. Part of this reduction has undoubtedly been due to the fall in prices, but it would appear as if there had also been a reduction on a tonnage basis.

In addition to the prospect for exceedingly profitable operations even on the present sales volume, Hershey Chocolate Corp. should be able to look forward to further increase in gross business. People everywhere have acquired a taste for sweetened foodstuffs and the average per capita consumption of sugar throughout the world has shown a steady uptrend over many years. In the United States, where sugar consumption is among the highest, it amounts to about ten pounds per month for each man, woman and child and without attempting to advance a reason for this steadily growing desire for sugar, it may be said that in this phenomenon lies the cause of increasing sales of ice cream, soft drinks and candy in which is included chocolate. Moreover, the inexpensive character of Hersey's chief product contributes to its sustained sales in good times and bad.

In short, the $4 convertible preferred stock of Hershey Chocolate Corp., having a satisfactory yield of over 5%, covered by a more than normal factor of safety and unlimited profit possibilities in its convertibility, is an exceed-

(*Please turn to page* 516)

Market Indicators

For Profit

Chicago & Northwestern

The 7% preferred stock of the Chicago & Northwestern Railway Co., due to its unusual provisions, appears to possess favorable long term possibilities and to warrant the serious attention of the prospective investor. The issue has preference as to its $7 dividend and then, after the common has received a like amount, it is entitled to $3 additional, while, after the common has received a similar disbursement of $3, both issues share alike. The preferred is currently quoted on the New York Stock Exchange around 112 a share to yield over 6%. Despite drastic reduction in net income during 1930, it is estimated that the preferred dividend will have been earned more than four times over—a good margin of safety.

* * *

Too Many Cooks?

The movement toward "branded" merchandise has been steadily developed over many years and, although undoubtedly in the past it has done much to standardize quality and price, to the advantage of everyone concerned, there is now evidence that the movement is being overdone. Many sellers appear to have suddenly discovered the theoretical advantages of a trade-mark, including its use as a remedy for a decline in commodity prices and we now have manufacturers, chain stores, wholesalers and others all insisting upon having their own private brand. The market is flooded with "brands" and the public, who have been educated to purchase by "name" recognizing the advantage in buying an article of constant high quality even though the price be a little higher than when bought "loose," is finding it as difficult to distinguish between good and bad trade-marks as it was in the old days to distinguish by actual touch and sight between good merchandise and that of an indifferent quality. This state of affairs has resulted in excessive competition, absurdly high advertising costs and a resultant loss in distributing efficiency when the crying need of the time is for greater efficiency in distribution. It is a factor to keep in mind in considering investment aspects of companies whose business is based on private brands. Existing competitive conditions are unusually severe.

* * *

St. Lawrence Power

To the north of the great Empire State lies a potential source of power which will some day play an important part in providing cheap electricity in huge quantities to its industries and homes. Always in the past, the development of hydro-electric power from the St. Lawrence River has ended in an impasse, and unharnessed the waters of this mighty river, draining as it does the vast area tributary to the basin of the five Great Lakes, are still rushing to the sea as they have for many centuries.

Again the problem has come to the fore, and its solution is probably nearer than at any time previously. The commission appointed by Governor Roosevelt has submitted a new engineering plan for the development of approximately 2,000,000 horse power of electricity on the St. Lawrence. This latest plan promises a saving in cost of about 40% over a previous plan and will cut power rates 29% below a plan submitted a few years ago by Canadian engineers. When finally completed, the distribution of the electricity thus generated will probably be through the transmission lines already existing, according to the plan now thought most feasible. The project, therefore, has long range aspects for the New York State utilities, i.e., Niagara Hudson Power, Associated Gas & Electric, and Consolidated Gas.

The imminence of cheap power from this source, however, even though work were begun immediately is some years away. Indeed, the engineers estimate from five to six years will be required to generate power from the beginning of construction, but even before the first spadeful of earth can be turned or the first cubic yard of concrete poured, important international questions must be settled. Some of them are vexing and may take several years before they are finally put out of the way. A decade may elapse before St. Lawrence current flows through the wires.

* * *

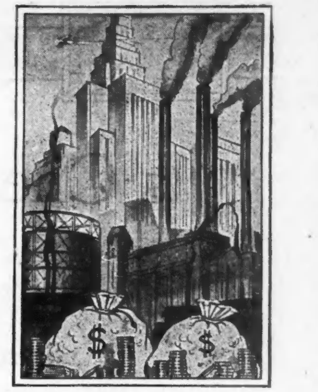
Crown Cork & Seal Co.

The $2.70 cumulative preferred stock of the Crown Cork & Seal Co., Inc., appears to represent an interesting medium grade investment at this time. The issue, listed on the New York Stock Exchange, yields over 8% at current prices of about $33 a share. This yield, in consideration of the protection afforded and the improvement in the company's standing, seems unduly pessimistic even though the company has not been entirely unaffected by the present depression. Excluding receipts from the sale of foreign subsidiaries, Crown Corp & Seal Co., Inc., reported earnings for the nine months ending September 30, 1930, equal to $7.40 a share on the preferred stock, against $6.72 per share reported for the corresponding period of the previous year. The company is not only tending toward greater efficiency in production by concentrating operations in its main plant at Baltimore, but is continually devising new products. The latest development is a new cap for food containers which permits re-sealing by the operation of a "catch."

* * *

Vitamins to Order

The recent development of the Basic Research Laboratory of the University of Cincinnati of a means by which every-day articles of food may be im-



and Income

pregnated with a desired amount of Vitamin D—that unknown something, essential to sound bones and teeth—opens up vast possibilities for the food industry in this age of synthesis. The new process may be used, not only to vastly increase the health-giving qualities of modern foodstuffs, but is said to prevent many of the causes of food spoilage. It is somewhat cryptically described as "selective irradiation" and appears, from the layman's point of view, to consist of treatment by certain light rays having a definitely known effect.

The new discovery, which is protected by patents, has been acquired by the General Development Laboratories, Inc., a company jointly controlled by General Foods Corp. and the University of Cincinnati. General Foods, it will be remembered, recently acquired the Birdseye quick-freezing process, a treatment which insures all kinds of frozen foodstuffs retaining their natural flavor as no damaging ice crystals are formed. The manner in which the later development has been handled can be taken as yet another example of the progressiveness of the company's management.

* * *

F. W. Woolworth Co.

Despite lower sales of nearly $14,000,000 compared with 1929, F. W. Woolworth Co. enjoyed a profitable year in 1930. Net income, including that of domestic and Canadian subsidiaries, amounted to $34,736,000, equivalent, after all charges, to $3.56 per share of common stock. This compares with a net income of $35,664,000 equal to $3.66 per share reported for the year 1929. Inventories, as of December 31, last, were nearly $6,500,000 below those of December 31, 1929, and, although part of this decline must have been due to the lower prices prevailing at the later date, it indicates an exceptionally strong control over this important item. The number of stores operated was stated to be 1881, a gain of 56 during the year, while in addition there are some 400 Woolworth stores in England and about 60 in Germany. The company maintains dividends on its common stock at the rate of $2.40 per share annually.

* * *

Protection at Last

The importance of assuring the railroads of the country a reasonable degree of prosperity is gradually being recognized. The carriers have received harsh treatment for many years and any punishment to which they might have been entitled in days gone by has now been carried too far. Their earnings are controlled; their rates are controlled; in fact, everything savoring of freedom has been taken away from them and yet almost nothing has been done to afford them protection—who are unable to protect themselves. There are now signs that this state of affairs is to be remedied and one of the most significant developments of recent times was the refusal of the Supreme Court of Florida to permit bus and truck service between Tallahassee and Jacksonville, for which authority had already been obtained from the state railroad commission. The decision was rendered on the grounds that the existing railroad facilities were serving the territory adequately.

* * *

National Biscuit Co.

The annual report of the National Biscuit Co. for 1930 has just been made public. The company reported net income of $22,880,000, a new high record and equal after preferred dividends and all charges, to $3.40 per share of common stock, which compares with $3.17 per share shown for 1929. National Biscuit Co. has now reported an increase in earnings for fourteen consecutive years. The latest per share earnings were the more remarkable when consideration is given to the fact that during 1930 considerable expansion was undertaken and financed, for the most part, by an exchange of stock. It frequently takes some time for a company expanding in this way to consolidate its position and in consequence, under these conditions, an increase in total income, albeit lower per share earnings, are customarily reported. As this has not occurred in the case of National Biscuit Co., it may be taken that the company was enabled to carry out its expansion upon an unusually favorable basis, although it was undoubtedly aided by the decline in its principal raw materials, wheat and sugar. It should be noted, however, that part of this decline has been passed on to the consumer in the form of reduced prices. National Biscuit Co. is becoming constantly more generous toward its stockholders. Out of earnings of $3.40 per share the company during 1930 distributed no less than $3.30 a share in dividends.

* * *

Chain Stores

Even though it be true that every period of depression leaves the chain store in a stronger position than ever, expansion is greatly slowed during a period of business inactivity. Various surveys have shown that the number of new stores opened during 1930 were some 50% less than the number opened during 1929, which is admittedly an exceptionally high base. It should be noted, however, that, insofar as the present depression has forced the chains to eliminate inefficient units and generally consolidate their position, it has prepared a sounder base on which to carry out future expansion. The chain store has come to stay and with the return to normalcy in general business, particularly stability in commodity prices, the investor should encounter little difficulty in selecting, among the securities in this group, a satisfactory depository for his funds.

READERS' FORUM

Is Cheap Money a "Myth" for the Mortgage Borrower?

Scarcity of Mortgage Money Reflects Caution on Part of Bankers Rather Than Any General Credit Stringency

Editor,
Readers' Forum:

I have an opportunity to buy a very fine piece of real estate at an investment of $30,000 *which looks quite attractive to me for a property of the type I selected. My only concern is the value of property as security with the present state of the real estate mortgage market. My investigation shows that funds for real estate loans are scarce in many localities throughout the country and I am wondering if it would be good business to acquire real estate if its loan value is impaired. Can you give me the real facts about real estate money? With all the discussion about abundant investment capital and low money rates, is cheap money a "myth" for the mortgage borrower?*

Very truly yours,
T. E. C.

MONEY rates for certain classes of loans are quoted at record low rates and there is no question but that capital is available in abundant supply for special purposes. There is a decided tendency for credit to seek accommodation at the present time in mediums which rate high in liquidity. Consequently, short term loans, such as call loans, time loans and commercial paper of the shorter maturities and bankers acceptances are in very heavy demand by lenders who wish to keep their funds in some medium which could be readily liquidated.

On the other hand, there is a decided tendency to avoid long term loan accommodations. As a result of this tendency at present, there is a rather wide spread between the rates of short term loans and long term investment yields from such mediums as bonds and mortgages. In the field of real estate mortgages, the situation is further aggravated by the unsettlement in real estate values in many communities and the unwillingness of lenders of capital to extend further loans against real estate. Naturally this varies considerably with each community, but there is a general tendency for the large institutional lenders of mortgage money to draw away from the smaller communities and favor the larger metropolitan districts.

In a recent report of the National Association of Real Estate Boards, for example, it was shown that in approximately 70 per cent of the cities with a population of over half a million, lenders were seeking loans. About 23 per cent of the cities reported an adequate loan supply to meet the demand but only a small percentage of the cities reported an under supply of mortgage funds. In cities with a population under 100,000, however, from 40 to 50 per cent were under-supplied with mortgage money and only 13 to 22 per cent of the cities reporting lenders seeking loans. In the smaller communities throughout the country, therefore, it is quite likely that one seeking mortgage money at present would be impressed with the its scarcity in spite of the much advertised "cheap money."

It would be well to recognize, we believe, that the lack of mortgage funds in many communities may be a reflection of caution on the part of lenders, rather than lack of credit generally. The attitude of bankers and lenders of capital is frequently a valuable guide to anyone buying real estate or contemplating building. The mortgage lenders are usually well informed on real estate conditions throughout the territory in which they operate. When a locality becomes overbuilt, or when other unhealthy tendencies develop in any locality, real estate loans are difficult to obtain. This, of course, is not necessarily true in periods of general credit scarcity and high interest rates for all classes of loans. But when credit is easy in other money markets and mortgage money becomes scarce in any particular locality, it might be taken as a signal for caution on the part of the real estate buyers or prospective builders.

We are not prepared to advise you concerning real estate in your city, because local conditions determine real estate situations far more than national conditions or general credit conditions. We would suggest, therefore, that you seek the advice of local bankers or real estate men, who are more familiar with the local conditions that exist in your locality.

Generally speaking, in many localities real estate values have become deflated together with deflation in other lines of activity, making a home investment quite attractive for the foresighted individual who buys a home for personal use. The tendency for rentals is still downward, however, and buildings for rental purposes would be quite speculative.

Testing the Theory of "Stocks for Long Term Investment" in a Bear Market

An Important Contribution in Support of an Investment Principle, the Popularity of Which Has Been Eclipsed by Prevailing Sentiment in the Decline

By J. L. AMBERG, Economist

TRACING VALUES OVER 17 YEARS

The data contained in the tables, on which this article is based, was obtained after the most painstaking research—in effect tracing the history of each one of the issues mentioned over a period of seventeen years. To prepare the tables alone, required weeks of laborious statistical study. The inspiration for the effort was furnished by an open debate on the subject, "Stocks Versus Bonds for Long Term Investment," before a group of financial students at one of our leading universities, the conditions of the study being laid down by the proponent of bonds. The author has given us the privilege of presenting this data to our readers in these columns, in its first published form.—Editor.

INVESTORS have always been faced with one important problem in the selection of their securities. Should they buy common stocks and receive their income in the form of dividends and appreciation in the value of equities, or, should they buy fixed income bearing securities, which for all practical purposes, may be narrowed down to preferred stocks or bonds? At various periods in our financial history, this question has been answered in different ways. The popular notion, in the past—say a decade or so ago—was that common stocks were media of speculation primarily and bonds were the preferred vehicles for "safe" investment. A better understanding of financial matters, based on a great deal of expert research and investigation during the past decade, swung the tide of popularity around to common stocks for long range investment purposes in recent years.

Since the decline in stock prices, from the Fall of 1929, the question of stocks versus bonds, for long term investment, has been left hanging in mid-air. Statistical proofs which had previously indicated a larger measure of investment return from common stocks were of little value, having been computed to dates preceding the market decline. What would the records show if computed on a basis of the post-bull market stock prices? In the absence of up-to-date data or at least, without having the old data brought up-to-date, investors have been inclined to jump to the conclusion that the bear market thoroughly discredited the desirability of common stocks for long term investment. No doubt it will always be the case, that investor sentiment will be similarly influenced by the prevalent pessimism that accompanies a major stock market decline.

Bringing the Facts Up-to-Date

The occasion recently presented itself to the writer to put the theory of common stocks for long term investment to the test of bear market conditions and deflated stock values. In undertaking the laborious statistical research, which was necessary for the compilation of the accompanying tables, certain requirements had to be met in order to make the test a fair one for both stocks and bonds. The qualification of "long term retention," of course, is one of the essential requirements, but it was not desirable to start the period of investigation in a major depression. The year 1913 was selected as a period in which the cost of common stocks was fairly representative of both pre-war and war years. The methods of selecting stocks in two of the groups threw considerable emphasis on railroad issues, then selling at prices close to the records for all time. When greater diversity is employed in the selection of the third group, the results are really amazing, even when tested by current bear market stock values. The results are, therefore, all the more interesting, in that they indicate the value of diversification—a pillar of safety in any common stock investment.

In addition to the statistical results indicated on the next page, the more general conclusions which might be drawn from this study concerning the "performance" of common stocks are likewise interesting.

Guiding Principles in Stock Investments

Common stocks represent an actual ownership in a property, and in theory at least, fluctuate with the earning power of that property or company. If earnings are high, stocks should ordinarily increase in price, since the return on capital rather than the return on book value is of greatest consequence to a stockholder.

Whereas bonds of the best sort represent dollars, and dollars alone, it is correct to say that the purchasing power of the dollar, or of any other currency, is subject to wide change. Financial institutions, insurance companies, trustees, etcetera, naturally deal only in dollars, and their complete interest is to safeguard against loss in currency so that at some future date they may be able to pay back the funds in dollars that have been entrusted to them.

There is, however, a vast difference in the needs of the individual investor and that of the ordinary institution of

Chart I

Comprising stocks traded in largest volume for year 1913

	No. of Shares	Stock	Shares Bought	Av. Pr. 1913	Amount Invest.	Price 1/15/31	Value 1/15/31	P. & L. + or —	Div. Plus
1.	15,253,000	U. S. Steel	16	59½	$952	141½ (+ 40% St.)	$3,170	+ $2,218	$2,064
2.	13,672,000	Reading R. R.	6	161½	1,046	90	540	— 506	414
3.	8,840,000	Union Pacific	7	150	1,050	190	1,330	+ 280	1,176
4.	6,869,000	Amal. Copper (Anac. Cop.).	15	71	1,065	33	495	— 570	1,076
5.	4,232,000	Amer. Can.	25	34	850	111 (now 15 sh.)	16,650	+ 15,800	2,181
6.	2,593,000	Canadian Pac.	4	235	940	41 (now 16 sh.)	656	— 252 ($32 rts.)	690
7.	1,170,000	Erie R. R.	40	26½	1,080	30	1,200	+ 120	none
8.	1,129,000	Lehigh Val. R. R.	15	68¾	1,025	57	855	+ 280 ($450 rts.)	960
9.	1,072,000	Penn. R. R.	9	115	1,035	60	540	— 432 ($63 rts.)	432
10.	1,034,000	Chino Copper	25	39	975	27.15 (liq. 1929)	679	— 296	806 (none 10 yrs.)

Original investment ..... $9,998 P. & L.—Total. +$16,642 Div. Tot. $9,759

Average % for each 17 years 9.80% 5.74%

Total return—sold January 15, 1931 .... $36,399

Average increment annually on investment 15.54%

Note—Compilation of Charts by L. Friedenberg and H. Windish.

the sort we have described. The latter must effectively keep so-called "capital" liquid so as to make repayment in dollars; the former, or in other words, the "investor" for a long term, while he is eager to keep his securities in form so that they can be promptly made liquid, is thinking beyond everything else of the future welfare of himself, or perhaps his dependents.

Because of the wide divergence in their swings, it is undoubtedly true that many investors have been, and perhaps should be, prejudiced against common stocks. The great weakness of bonds, namely, that they offer no defense against a depreciating currency, must not be overlooked. Furthermore, bonds do not measure up to the possibilities of growth and development of resources, or of the industry of a country.

While money has recently appreciated in value (we are getting 13½% more for our dollar than in January, 1930), it seems most unlikely that we are going back to the basis of 30 years ago, when you would have gotten *three times* as much as you can today for the same dollar bill.

The Method of Investigation

We take bonds as typical, since they are considered foremost in the investment class. Consequently, we hypothetically purchase bonds at the average price of 1913, *and we accept in principle, the fact that every single bond with interest regularly paid shall remain intact now at the beginning of* 1931. This premise is obviously more than fair.

For a basis of comparison, we propose to set up the purchase of ten bonds of a value of about $1,000 each, or an

Chart II

Comprising 5 largest rails and 5 largest industrials on basis of combined common and preferred stock

	Stock	Shares Bought	Av. Pr. 1913	Amount Invest.	Price 1/15/31	Value 1/15/31	P. & L. + or —	Divs. Paid
1.	U. S. Steel	16	59½	$952	141½ (+ 40% St.)	$3,170	+ $2,218	$2,064
2.	Penn. R. R.	9	115	1,035	60	540	— 432 ($63 rts.)	432
3.	Amer. Tel. & Tel.	8	125	1,000	184½	1,476	+ 839 ($363 rts.)	1,162
4.	South. Pacific	11	96½	1,061	102	1,122	+ 61	1,122
5.	Canadian Pacific	4	235	940	41 (now 16 sh.)	656	— 284	690
6.	Union Pacific	7	150	1,050	190	1,330	+ 280	1,176
7.	No. Pacific	9	112½	1,012	56	504	— 508	914
8.	Amal. Copper (Anac. Copper)	15	71	1,065	33	495	— 570	1,076
9.	Pullman	6	157	942	58 (now 15 sh.)	870	— 72	855
10.	General Electric	6	159½	957	44 (96 GL + others)	4,646	+ 3,689	1,110

Original investment .... $10,014 P. & L. Total . +$5,221 Div. Tot. $10,611

Average % for each 17 years 3.07% 6.24%

Total return—sold January 15, 1931 .... $25,846

Average increment annually on investment 9.31%

investment of $10,000. Under such circumstances, $10,000 invested in bonds at the average rate of 4½% (4% would be more reasonable), for 17 years would yield $7,650. (We are not calculating compound interest *in any cases*). Highest grade bonds were selling in 1913 at 96.40 and were selling January 15 at 97.60. Enhancement in value of these bonds in 17 years is $120.

Consequently, accepting all bonds as being worth face value, in 17 years, interest and increment would be $7,770, or you would have a total capital now on $10,000 invested, of $17,770.

Let us now take from the records of 1913, various stocks under various conditions that we would have bought, *definitely and positively without fore-knowledge*, and see what would have happened.

Selected for Market Activity in First Plan

We make three totally different tests for the purpose of buying common stocks for a long term investment with no other thought than "safety of principal." In Chart Number I we are taking the average price for 1913 of the *ten stocks that were traded in, in the largest volume for that year*. We show the number of shares sold during said year; and the amount of stocks purchased, to give us approximately $1,000 worth of each of the ten; the amount invested in each stock; and the prices as of January 15, 1931. Then we are showing a sale at the opening on that date, and the profit or loss for each stock, as well as the amount of dividends that have accrued in the 17 years elapsed.

The result is of interest, since you note by the totals that dividends, plus sale of rights, warrants, and extras amount to $9,759; actual net profit when sold, $16,642, or a total *value* today of $36,399. On bonds, we made approximately 4½% each year; on stocks in Chart I we made 15.54%.

We submit, and it should be admitted, that the method above used was most reckless if we are going to make a choice for a long term *investment* in 1913, since it would not have been reasonable to choose six railroads and four stocks in the metal industry (including two coppers, a steel, and a tin fabricator).

In the second test, we have selected the five largest railways and the five largest industrials on the basis of their combined common and preferred stocks at the end of 1913. We submit that this may not be entirely reasonable, because there were utility and oils and other stocks that might have had definite interest. Nevertheless, railroads were outstandingly popular, and utilities were, in 1913, coming to the fore.

In Chart II it will be seen that the profit with the dividends show an enhancement of $15,832, or, in other words, an increase of 3.07% as profit, and average annual dividends for 17 years of 6.24%. Against a total of 4½% on bonds, the investor achieved 9.31% on these stocks—*likewise selected in a manner that is not befitting a careful and experienced investment counselor.*

Investment Selection in Third Plan

In Chart III the selection has been made in proper fashion it seems to us, or namely, *by the taking of one stock in each industry, comprising ten different ones, selected in this case on the basis of investment ratings available in* 1914, as covering desirability.

In the tables given we show the stupendous profit of $52,076 and the remarkable dividends of $27,716, or a grand total of $79,792 for profit and dividends for the 17 years. *In other words, the annual average increment on this investment was* 46.93% *as against* 4½% *for selected bonds.*

The three charts tell their own story, and except in the last, there could not even be a question of the method of

(*Please turn to page 520*)

Chart III

Comprising companies in diversified industries, 1 in each, selected by 1914 Ratings

	Stock	Investment Rating	Shares Bought	Av. Pr. 1913	Amount Invest.	Price 1/15/31	Value 1/15/31	P. & L. + or —	Div. Plus
1.	General Electric	A	6	159½	957	44½ (96 GL. & others)	$4,646	+ $3,689	$1,110
2.	Int. Harvester	A	10	104	1,040	50 (now 56 sh.)	2,800	+ 1,760	1,847
3.	Nat'l Biscuit	BA	8	117	936	80 (now 140 sh.)	11,200	+ 10,264	3,094
4.	Amer. Tel.	A	8	125	1,000	184½	1,476	+ 839 ($363 rts.)	1,162
5.	Reynolds Tob. "B"	BAA	4	267	1,088	43-70 (now 60B & 40 reg.)	5,380	+ 4,292	1,362
6.	Con. Gas	BAA	8	134	1,072	85 (now 32 sh.)	2,720	+ 1,760 ($112 rts.)	1,138
7.	Du Pont	BAA	10 (Hercules + Atlas Powd. and all sorts extras)	91	910	87	26,179	+ 25,669	13,144
8.	Sears	BAA	5	183	915	49 (now 44 sh.)	2,156	+ 1,241	1,545
9.	United Fruit	BAA	6	165	990	56 (now 31 sh.)	1,736	+ 846	1,500
10.	S. O. N. J.	*	3	388	1,164	48 (now 60 sh.)	2,880	+ 1,716	1,259
			Original investment		$10,072		P. & L. Total.	+ $52,076	Div. Tot. $27,716
			Average % for each 17 years					30.63%	16.30%
			Total return—sold January 15, 1931					$88,864	
			Average increment annually on investment					46.93%	

* None of the existing oil companies were rated in 1914 because they did not issue regular financial statements, but selection of Standard of New Jersey is entirely logical for the petroleum industry.

Industry Reveals Only Minor Gains

Indications of 1931 Trends Not Yet Defined

BUILDING

Shows Slow Gain

Building permits issued last December for the country, as a whole, were slightly higher than for the corresponding month of the previous year. This was the first time in 1930 that any month represented a gain over the same month of 1929 and presaged, it was hoped, the long awaited improvement in construction activity. Unfortunately these hopes have not been borne out by the January figures so far available, except in regard to residential construction. This division, which is the most important of all, appears to be holding up well in comparison with 1930, admittedly a fairly low base. Anything in the nature of a gain, however, is particularly comforting at this time and should complete figures for last month prove it to have been—as is not un-

(*Please turn to page* 513)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	Last*
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2).....	18.50	17.00	17.00
Copper (3)	0.17¾	0.09½	0.10
Petroleum (4)...	1.45	0.95	0.95
Coal (5)	1.65	1.40	1.60
Cotton (6)	0.17½	0.09½	0.10⅜
Wheat (7)	1.46½	0.96⅞	0.98⅜
Corn (8)	1.19⅛	0.90⅛	0.83⅝
Hogs (9)	11.00	8.00	7.90
Steers (10)	16.50	10.75	11.25
Coffee (11)	0.10¼	0.07	0.06¾
Rubber (12)	0.16⅝	0.07⅝	0.08⅛
Wool (13)	0.34	0.28	0.29
Sugar (15)	0.03¾	0.03⅛	0.03⅜
Sugar (16)	0.05¼	0.04¼	0.04¾
Paper (17)	0.03⅛	0.03⅛	0.03⅛
Lumber (18) ...	20.33	15.03	15.74

* Jan. 27, 1931.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lbs.; (11) Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The eagerly awaited 1930 fourth quarter report of the United States Steel Corp. showed an income from operations of barely 28 cents a share on the 8,687,435 shares of common stock outstanding. Special income of 43 cents a share, however, brought the quarter's earnings up to 70 cents a share, which was a better showing than had been anticipated. For the whole year 1930 earnings were equal to $9.12 per share of common stock as against $21.19 per share for 1929. The industry as a whole is currently operating at about 47% of theoretical capacity.

AUTOMOBILES—The eyes of the automobile world are turned toward Chicago where the 31st Annual National Automobile Show was opened on Sunday, January 25. It is said that attendance during the first few days was highly satisfactory although somewhat below that of last year. Total sales of cars for last December were nearly 3% greater than for November, but still some 34% below those of December, 1929.

ELECTRICAL EQUIPMENT—Business in the electrical equipment field is said to have improved and there are even indications that the present upswing may surpass a strictly seasonal rise. The utilities generally are in the market for a moderately large amount of new equipment, while some seasonal improvement in the iron and steel trades and the constant lowering of retail stocks have all tended to make the outlook more favorable than in some time.

TOBACCO—Cigar production for the year 1930 dropped below the six-billion mark, the smallest number in at least twenty-three years. This is in marked contrast to the cigarette side of the industry, where production has made repeated gains for a number of years and is concrete evidence of the manner in which cigarettes are replacing other forms of tobacco.

RAILROADS—The drastic contraction in general business last year is emphasized in the showing of the nation's railroads. For the first eleven months of 1930, average net operating income for all roads was slightly over 30% below that of 1929, while preliminary indications are to the effect that little change may be expected in this figure by reason of the December reports.

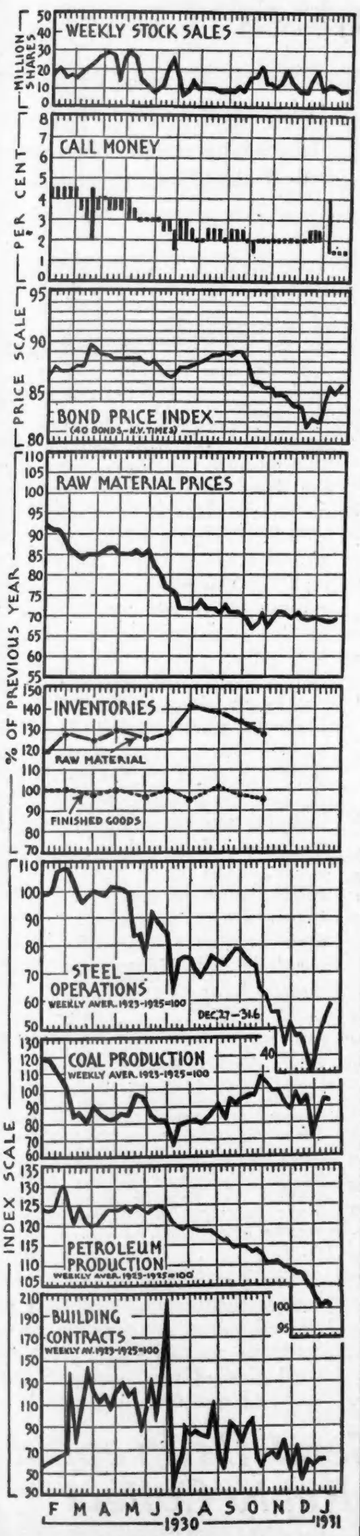
COPPER—There has been little change in the outlook for copper during the last week or so. The export price for delivery during January and February still remains at 10.30 cents a pound, but it cannot be said that prices are other than uncertain and it would appear as if no substantial or permanent improvement were to be expected for some time to come.

CHEMICALS—The market for chemical products remains quiet and although the long-term outlook for the industry is bright, immediate prospects depend entirely upon the extent of the Spring improvement in general business. Prices generally are fairly steady and there are, as yet, no signs of a return to price cutting.

TEXTILES—The recent report that 66 mills were to discontinue the employment of women, and minors under 18 years of age, was seen as a significant step in the curtailment of overproduction from which this entire industry has been suffering since the World War.

The Magazine of Wall Street's Indicators

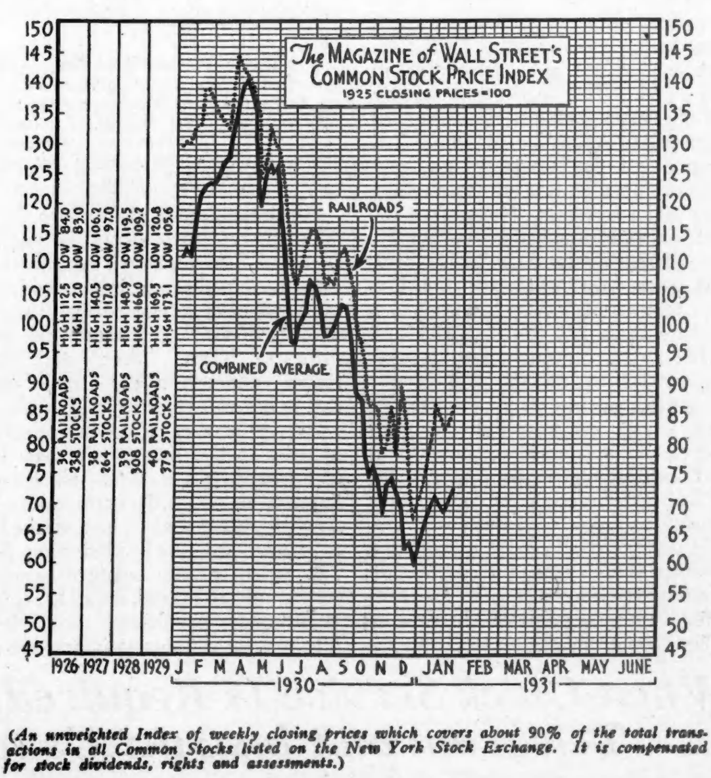
Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes Jan. 17	Recent Indexes Jan. 24	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	72.5	62.2	68.8	72.5	62.2	140.7	59.9
5	Agricultural Implements	119.9	112.0	115.0	117.9	112.0	405.5	105.7
8	Amusement	99.3	88.5	90.5	99.3	88.5	272.0	85.6
22	Automobile Accessories	55.3	47.8	52.5	55.3	47.8	118.1	46.2
20	Automobiles	29.9	25.5	28.3	29.9	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	56.2	39.9	51.0	56.2	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	32.1	23.8	29.2	32.1	23.8	74.2	23.8
2	Biscuit	202.3	185.5	195.0	197.6	185.5	248.1	179.6
5	Business Machines	143.0	128.6	131.6	143.0	128.6	262.7	123.5
2	Cans	165.2	157.0	158.1	164.0	157.0	226.0	151.8
8	Chemicals & Dyes	131.6	121.7	121.7*	129.6	126.0	248.5	124.3
3	Coal	50.8	35.4	45.2	50.8	35.4	107.9	34.4
22	Construction & Bldg. Material.	60.0	48.3	54.6	60.0	48.3	121.8	46.2
12	Copper	77.8	70.4	75.4	76.2	70.4	211.7	67.0
2	Dairy Products	86.6	83.0	84.5	86.6	83.0	125.1	80.7
9	Department Stores	22.6	21.5	21.5	22.6	21.5	51.6	20.4
8	Drugs & Toilet Articles	100.2	83.0	96.9	95.9	83.0	142.0	79.4
8	Electric Apparatus	127.8	115.8	118.8	127.8	115.8	239.1	114.9
4	Fertilizers	18.8	14.8	17.4	18.8	14.8	54.4	13.7
2	Finance Companies	77.6	74.3	74.3	77.0	77.6	148.4	68.5
7	Food Brands†	68.6	64.4	65.1	68.6	64.4	93.5	62.1
4	Food Stores†	61.0	50.3	55.9	61.0	50.3	124.6	50.0
4	Furniture & Floor Covering...	44.1	31.6	40.9	44.1	31.6	119.2	30.1
7	Household Equipment	35.9	29.9	34.4	35.9	29.9	92.5	28.6
10	Investment Trusts	75.6	61.0	69.9	75.6	61.0	184.9	58.9
3	Mail Order	61.4	52.3	56.4	60.1	52.3	170.0	51.5
39	Petroleum & Natural Gas....	63.2	52.4	58.1	60.4	52.4	142.5	50.9
8	Phono. & Radio (1927—100)..	46.3	37.2	41.2	45.8	37.2	175.2	36.3
20	Public Utilities	163.6	150.4	152.4	163.6	150.4	305.0	141.1
10	Railroad Equipment	67.8	57.8	63.8	67.4	57.8	115.4	55.5
33	Railroads	86.7	69.8	82.4	86.2	60.8	144.5	67.1
3	Restaurants	90.3	81.9	89.1	90.3	81.9	153.1	78.9
5	Shipping	37.8	28.9	31.1	37.4	28.9	88.8	28.9
2	Soft Drinks (1926 Cl.—100)..	162.0	152.4	152.4	157.4	160.4	246.5	150.8
13	Steel & Iron	76.6	63.5	72.0	74.7	63.5	146.5	61.4
6	Sugar	18.0	12.9	17.3	17.4	12.9	45.1	12.2
2	Sulphur	181.7	170.3	172.4	181.7	170.3	268.7	163.0
3	Telephone & Telegraph	112.8	97.4	104.0	112.8	97.4	177.2	92.6
6	Textiles	31.9	23.7	29.9	29.2	23.7	70.5	21.1
7	Tire & Rubber	13.0	10.9	11.9	12.2	10.9	39.0	10.9
9	Tobacco	66.0	59.3	64.8	66.0	59.3	107.3	57.5
5	Traction	77.9	67.0	72.0	77.9	67.0	103.5	63.2
2	Variety Stores	70.4	68.5	69.3	69.3	68.5	88.7	66.5

* New LOW record since 1928. † Corrected.



(An unweighted Index of weekly closing prices which covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments.)

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1. Be brief.
2. Confine your requests to *three securities only.*
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U. S. SMELTING, REFINING & MINING CO.

Does U. S. Smelting common hold speculative profit possibilities at this level? I understand its lead interests are favorable. My holdings consist of 500 shares at 54, so that I have a very heavy paper loss.—F. J. P., Alton, Ill.

U. S. Smelting, Refining & Mining Co. occupies a prominent position as a producer of non-ferrous metals, as well as being an important unit in the coal industry. Lead, zinc and silver contribute principally to the revenues of the company, although some copper and gold is produced. The latter bids fair to become an important source of profits during ensuing years, by the development of its gold properties in Alaska. Reflecting world-wide curtailment of consumption and concommitant lower prices received for products, operations of the company last year were considerably less profitable than in the year preceding. Net income for the eleven months ended November 30, 1930, amounted to $3,377,751, compared with $4,456,448 for the first eleven months of 1929. Reduced to a per share basis, net equalled $2.93 on 620,562 shares of common stock (par $50) outstanding at the end of the later period, against $4.97 on 586,277 shares a year earlier. Full 1930 returns should exceed $3 a share, compared with present dividend rate of $1. The management has been conservative in the distribution of profits, with the result that it is believed the reduction of former annual rate of $3 a common share enabled the company to maintain a strong financial position. In view of the none too promising outlook over the medium term, at least, for the industry generally, prospects for substantial earnings improvement during the early months of the current year are not favorable. However, prevailing prices for the company's shares appear to have given recognition to existing conditions, and in this light we suggest that where a reasonable degree of speculative risk is not objectionable, commitments made at higher levels be retained. Fresh purchases, on the other hand, should be deferred.

AMERICAN SAFETY RAZOR CORP.

Is the $5 annual dividend being paid on American Safety Razor common safe? If so, I plan to hold 50 shares even though they show me a loss of $500. I assume the stock is not likely to have any serious decline in view of its stability last year.—S. R. A., Sioux City, Iowa.

American Safety Razor Corp., in addition to being the second largest producer of safety razors, manufacturers razor blades, shaving brushes and shaving accessories. The company's prodducts are distributed under the trade names of "Gem," "Star," and "Eveready," throughout the United States and in several countries of Europe. At present it is engaged in the promotion of sales in the East of the new Gem Micromatic razor and blade, preliminary to national distribution. The new product is said to be a marked improvement over its predecessor. Earnings record of the company reveals a steady upward trend since 1922, with 1929 results establishing record levels. Net income for that year amounted to $1,543,226, or $7.71 a common share, compared with $1,133,583, or $5.43 a share for 1928. In spite of unfavorable business conditions prevailing during last year, earnings improvement continued. Results for the nine months ended September 30, last, amounted to $1,095,618, equivalent to $5.48 a share on 200,000 common shares outstanding, against $1,088,042, or $5.44 a share, on the same capitalization, for the corresponding period of the preceding year. Full 1930 returns should approximate those registered in 1929. Financial position as of June 30, last, was very strong, current assets amounting to 16 times current liabilities, with net working capital of $3,985,982. Outlook for the current year is favorable to continued growth in earnings, and while we do not anticipate substantial enhancement in market value for the shares during immediate future, the issue has some speculative attraction, for long pull holding, by those who already have it.

TEXAS CORP.

Shall I continue to hold 100 shares of Texas Corp., which cost me 55 in view of the recent statement by the president to the effect that net income for 1930 will probably not exceed $1.52 a share? What do you think of the dividend prospects for 1931? Your judgment in this matter would be greatly appreciated.—L. E. S., Elizabeth, N. J.

The Texas Corp. is one of the most completely integrated units in the entire oil industry, operating in foreign countries as well as in every state in the Union. Gross earnings of the com-

(Please turn to page 514)

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New York Stock Exchange

RAILS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 1/28/31	Div'd $ Per Share
A								
Atchison	298⅝	195½	242½	168	197⅞	178½	195	10
Do Pfd.	104⅞	99	106⅜	100	106	102½	106	5
Atlantic Coast Line	209½	161	175½	95¼	120	105	114¼	10
B								
Baltimore & Ohio	145½	105	122⅜	55⅜	82	68½	78¼	7
Bangor & Aroostook	90⅜	55	84½	50⅛	62⅝	56½	61½	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	62⅛	58⅜	59½	4
Do Pfd.	93⅝	76½	96⅜	88	89½	85⅜	89½	6
C								
Canadian Pacific	265⅞	185	52¼	35¼	43	38½	41½	2½
Chesapeake & Ohio	279¾	160	51⅝	32⅜	45	39½	43	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅜	4¼	8⅞	5¼	8½	..
Do Pfd.	68⅝	28⅛	46¼	7⅝	14⅝	9½	13⅝	..
Chicago & Northwestern	108½	75	89⅞	28½	44	33	41	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	47¼	63	7
D								
Delaware & Hudson	226	141½	181	130⅛	151	141	150	9
Delaware, Lack. & Western	169⅝	120¼	153	69⅛	102	80	†91	6
E								
Erie R. R.	93½	41⅛	63⅜	22⅛	35	28	30½	..
Do 1st Pfd.	66¼	55⅛	67⅝	27	45	39	41½	4
G								
Great Northern Pfd.	128¼	85⅛	102	51	69⅝	58½	68	5
H								
Hudson & Manhattan	58⅜	34½	58⅜	34⅞	43	37	†41	3½
I								
Illinois Central	153¼	116	136⅜	65⅜	88⅜	69⅝	87	7
Interborough Rapid Transit	58⅝	15	39½	20⅝	26⅞	24½	†24½	..
K								
Kansas City Southern	108⅞	60	85⅝	34	43½	35	†40	5
L								
Lehigh Valley	102¼	65	84⅞	40	61	53	58	3½
Louisville & Nashville	154⅜	110	138½	84	108¼	90⅛	108	7
M								
Mo., Kansas & Texas	65⅜	27⅛	66⅝	14⅞	26⅜	20	23⅜	3
Do Pfd.	107½	93⅜	108⅜	60	85	70	83¾	7
Missouri Pacific	101⅜	46	98½	20⅝	40	30½	36	..
Do Pfd.	149	105	145½	79	100½	86½	99½	5
N								
New York Central	256½	160	192⅜	105½	127	113	123½	8
N. Y., N. H. & Hartford	132½	80⅛	128½	67⅝	91	75	88	6
Norfolk & Western	290	191	265	181½	212⅜	200	210	12
Northern Pacific	118⅝	75⅛	97	42⅜	60⅞	47¼	57⅞	5
P								
Pennsylvania	110	72⅛	86⅝	58	63⅜	55⅞	62¼	4
Pere Marquette	260	140	164½	76⅛	93½	76	†87	8
R								
Reading	147⅜	101½	141½	73	95⅜	79	†88	4
S								
St. Louis-San Fran.	133⅜	101	118⅞	39⅜	62⅜	43	60½	8
St. Louis-Southwestern	115⅜	50	76⅜	18	33½	23	29½	..
Seaboard Air Lines	21⅜	9⅛	12⅛	⅛	1⅜	½	⅞	..
Do Pfd.	41⅜	16¼	23	⅛	2⅛	1	1⅜	..
Southern Pacific	157¼	105	127	88	105¼	92⅜	102½	6
Southern Railway	162¼	109	136⅜	46½	62⅜	47⅜	60	8
Do Pfd.	100	93	101	76	81¼	80	†80	5
T								
Texas & Pacific	181	115	145	85	100	98½	†95	5
U								
Union Pacific	297⅝	200	242⅜	166½	198	179⅜	195	10
Do Pfd.	85½	80	88⅝	82¼	86¼	83⅝	†85⅜	4
W								
Wabash	81⅝	40	67⅞	11¼	26	17¼	18⅞	..
Do Pfd. A	104⅞	82	89¼	39	51	43	44½	..
Western Maryland	54	10	36	10	17⅜	13¼	15½	..
Western Pacific	41⅞	15	30½	7½	13	10	12⅞	..
Do Pfd.	67⅝	37½	58½	23	31½	26	30	..

INDUSTRIALS AND MISCELLANEOUS

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 1/28/31	Div'd $ Per Share
A								
Adams Express	34	20	27⅞	14¼	21½	16⅛	20	1.60
Air Reductions, Inc.	223⅝	77	156⅝	67½	108⅝	92½	94¾	4½
Allegheny Corp.	56¼	17	35¼	5⅝	10⅝	7⅝	9½	..
Allied Chemical & Dye	354¾	197	343	170¼	179½	153½	157	6
Allis Chalmers Mfg.	75½	35½	68	31¼	38¼	32⅞	35¾	3
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	36½	33	†34	2.40
American Can	184½	86	156½	104⅝	115⅝	106¼	109⅝	5
Amer. Car & Fdy	106½	75	82½	24⅛	34½	27	32	6
Amer. & Foreign Power	199⅛	50	101⅞	25	35½	26⅝	26	..
American Ice	54	29	41⅞	24½	27⅝	23⅝	24¾	3
Amer. International Corp.	96¾	20½	55⅝	16	21⅞	18¼	19¼	2
Amer. Mchy. & Fdry.	279¾	142	45	29⅝	37	31	35½	1.40
Amer. Power & Light	175¾	64¼	119⅝	36⅛	52⅝	45	49¼	1
Amer. Radiator & S. S.	55⅝	26	39⅝	15	18⅝	15½	17¼	1
Amer. Rolling Mill	144⅝	60	100⅞	28	34⅝	28½	23⅞	2
Amer. Smelting & Refining	130¼	63	79½	37½	46⅝	40⅝	43¾	4
Amer. Steel Foundries	79⅝	26⅝	58¼	22¼	29	25	25⅝	3
American Stores	514	128	55½	30⅛	30	27	29	3½

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 1/28/31	Div'd $ Per Share
A								
Amer. Sugar Refining	94¾	56	69⅞	39¼	50⅜	42⅜	47	5
Amer. Tel. & Tel.	310½	193¼	274¼	170⅜	190¼	176¼	186	9
Amer. Tobacco Com.	232½	160	127	98½	111¾	104	110¼	6
Amer. Type Founders	181	115	141¾	95	105	90	92½	8
Amer. Water Works & Elec.	199	50	124⅞	47⅝	61⅝	53⅜	56	3
Anaconda Copper Mining	140	67¼	81½	25	34⅞	29⅜	32⅜	2½
Arnold-Constable Corp.	40⅞	6⅛	13⅜	3½	4½	3⅜	4½	..
Assoc. Dry Goods	70⅜	25	50½	19	25¾	22	25	2½
Atlantic, Gulf & W. I. S.S. Line	86⅞	32½	80⅜	33	39	31	31	..
Atlantic Refining	77⅞	30	51⅜	16⅝	22⅜	18	22	2
Auburn Auto	85	40	263¾	60⅝	136¾	101½	133¼	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅝	24¼	20⅜	21⅝	1¾
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	13½	11⅛	12¼	1
Beech Nut Packing	101	45	70½	46⅜	58	50	51	3
Bendix Aviation	104¾	25	57⅝	14⅛	20⅝	16⅞	19	1
Best & Co.	60⅞	25	56¼	20⅝	35¾	32¼	34½	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅝	54⅛	45⅝	49	6
Bohn Aluminum	136¾	37	69	15¾	25⅝	20⅜	24	1½
Borden Company	100½	53	90⅝	60⅛	70⅝	67½	69¼	3
Borg-Warner	86⅞	26	50½	15	25¼	20⅝	23	1
Briggs Mfg.	63⅛	8½	25⅝	12⅛	19	16⅛	16⅞	1⅝
Burroughs Adding Mach.	96⅞	29	51⅞	18⅝	25⅞	21½	24⅞	1½
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	46¼	37⅝	43⅛	..
C								
California Packing	84⅞	68⅛	77½	41¼	47¼	42⅜	43⅜	4
Calumet & Arizona Mining	136¾	73½	89⅞	28⅝	39	37	38	..
Calumet & Hecla	61⅞	25	33⅜	7⅞	9⅜	8	9⅛	..
Canada Dry Ginger Ale	98¾	45	75⅝	30½	34¾	29⅞	32	..
Case, J. I.	467	130	362⅜	83⅝	95⅝	81⅜	87½	6
Caterpillar Tractor	61	50¼	79⅜	22	38½	26⅞	37⅞	4
Cerro de Pasco Copper	120	52¼	65⅝	21	25¾	23	23⅝	2
Chesapeake Corp.	92	42½	82½	22¾	50¼	40	49	3
Childs Co.	75⅞	44¼	67⅝	23⅞	29	25½	27½	2.40
Chrysler Corp.	135	26	43	14⅝	18¼	15⅞	16⅞	1
Coca-Cola Co.	154½	101	191¾	133¼	155	142¾	153	6
Colgate-Palmolive-Peet	90	40	64⅞	44	49	47	47½	2½
Colorado Fuel & Iron	78½	27¾	77	18⅝	26½	21⅞	24½	1
Columbian Carbon	344	105	199	65½	9⅝	7⅜	8⅝	¾
Colum. Gas & Elec.	140	52	87	30⅝	37⅞	33⅛	36	2
Commercial Credit	62⅝	18	40⅜	15½	20	18⅛	18¾	2
Commercial Solvent	63	20½	38	14	18⅞	15⅞	17½	1
Commonwealth Southern	24¾	10	20½	7½	10½	8	9½	.60
Consolidated Gas of N. Y.	183¼	80½	136⅞	78⅛	91⅜	82½	88⅝	4
Continental Baking Cl. A	90	25¼	52½	16⅝	20	17⅝	24	..
Continental Can, Inc.	92	40¼	71⅝	43½	51⅞	47	50	2½
Continental Oil	47½	48	30½	7⅝	11⅝	9⅛	10	..
Corn Products Refining	126⅝	70	111⅜	65	82¼	76½	80	3½
Crucible Steel of Amer.	121¾	71	98⅝	50⅛	60¼	55⅝	55⅝	5
Cudahy Packing	67⅞	36	43	38⅛	43⅞	41	43½	4
Curtis Publishing	132	100	126½	85	93¼	89⅞	91	7
Curtiss Wright, Common	30⅛	6⅝	14⅞	1⅝	4⅝	2⅝	4⅛	..
Curtiss Wright, A	37⅞	13¼	19¾	8	6⅛	2⅞	6⅛	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	15⅞	13⅛	14½	..
Drug, Inc.	126⅛	69	87⅞	57⅝	68⅜	61½	67½	4
Du Pont de Nemours	231	80	145¼	80⅛	91	83¼	86	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅝	160¼	143⅜	152½	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	17⅛	13¾	15½	1.60
Electric Auto Lite	174	50	114⅞	33	56½	50⅝	52¾	6
Elec. Power & Light	86⅝	29¼	103½	34⅜	50¼	38¼	47	1
Elec. Storage Battery	104½	55	79¼	47½	58	50⅞	57	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	38¼	†40	5
F								
Firestone Tire & Rubber	37	24½	33⅛	15⅛	18⅛	17	†17	1
First National Stores	90	44½	61⅜	38⅝	45⅞	41	†44¼	2½
Foster Wheeler	95	33	104½	37½	53	41½	49½	2
Fox Film Cl. A	105⅝	19⅛	57⅝	16⅛	31⅞	25⅜	30	4
Freeport Texas Co.	54⅞	23¾	55½	24½	33⅝	28½	32¼	4
G								
General Amer. Tank Car	123½	75	111⅞	53½	64	57⅜	63⅝	4
General Asphalt	94¾	42¼	71⅛	22⅝	34⅝	24¼	33½	3
General Electric	403	168⅛	95⅜	41½	47	41⅜	43⅝	1.60
General Foods	81¾	35	61¼	44⅝	53	47⅜	52	3
General Mills	89½	50	59½	40⅛	48¾	45½	45½	3
General Motors Corp.	91¾	33⅛	54¼	31½	38⅞	35¼	37½	3
General Railway Signal	126½	70	106⅞	56	75¼	68	71	5
General Refractories	88½	50	90	39	49	40	48	4
Gillette Safety Razor	143	80	106¼	18	28⅝	21⅛	23⅝	4
Gold Dust Corp.	82	31½	47⅞	29	36	31¼	34½	2½
Goodrich Co. (B. F.)	105¾	38¼	58¼	15¼	17⅝	15¼	16⅛	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	47	38⅜	40¼	5
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	17⅞	15⅛	16½	2
Grand Union	32⅞	9⅛	20⅝	10	13	10⅝	11⅝	..
Great Western Sugar	44	23	34½	7	11⅝	7⅜	9¼	..
H								
Houston Oil of Texas	109	26	116⅞	20¼	43⅝	35¼	39	..
Hudson Motor Car	92½	38	62⅞	18	26	21½	21⅞	3
Hupp Motor Car	82	18	26⅝	7½	10	7⅜	8	..
I								
Inland Steel	113	71	98	58	65	59⅝	60½	4
Inter. Business Machines	225	109	197½	131	158⅝	145½	†151	6
Inter. Cement	102¾	48	75⅝	49½	55½	49⅝	55	4
Inter. Harvester	142	65	115¾	45¼	52⅝	48	51	2½
Int. Match Pfd.	102½	47	92	52¼	60⅞	55	60¼	4
Inter. Nickel	72¾	25	44⅜	12⅜	16⅛	14½	14⅝	1
Inter. Paper & Power "A"	112	57	31⅛	5⅛	4⅛	2⅝	4	..
Inter. Tel. & Tel.	149¼	53	77⅝	17½	27⅝	18⅜	25⅛	2
J								
Jewel Tea	84½	45	66½	37	43⅛	39¼	43½	5
Johns-Manville	242¾	90	148⅜	48⅜	65	52½	62	3
K								
Kennecott Copper	104⅞	49⅝	62⅜	20⅛	26⅛	22½	24¼	2
Kresge Co. (S. S.)	57½	28	36⅜	26⅛	27⅝	26½	26⅝	1.60
Kreuger & Toll	46⅝	22¼	35⅜	20⅝	23	20⅞	22⅝	1.60
Kroger Grocery & Baking	122½	33¼	48⅛	17⅛	25⅝	18	24¼	1

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	1/28/31	Share
L								
Lambert Co.	157⅞	80⅛	113	70⅝	83⅞	77⅛	80⅝	8
Lehn & Fink	63⅞	28	36	21	27½	24	27	3
Liggett & Myers Tob. B	106	80⅛	114⅝	78⅛	91⅝	83	88⅞	5
Liquid Carbonic	118⅝	40	81⅞	39	46½	41⅞	†45⅛	4
Loew's Inc.	84½	32	95⅝	41⅝	52⅝	45⅛	49	3
Loose-Wiles Biscuit	88⅞	30⅝	70½	40½	51	43⅞	50⅛	2.70
Lorillard	31⅞	14⅛	28⅞	8⅝	14⅝	11⅝	14¼	..
M								
Mack Truck, Inc.	114⅝	55⅛	88½	33⅝	41½	35⅝	39⅞	4
Macy (R. H.)	255½	110	159⅛	81⅝	91⅝	83⅞	84½	3
Magma Copper	82½	35	58½	19⅛	26⅛	20⅝	21½	3
Marine Midland	..	..	32½	17⅞	23½	19⅝	22⅝	1.20
Mathieson Alkali	73⅝	29	51⅞	30⅝	31½	23⅛	23¼	2
May Dept. Stores	108½	45½	61⅞	27⅝	32¼	28⅝	31½	2
McKeesport Tin Plate	82	54	89½	61	78½	71½	77⅞	4½
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	19⅞	15⅝	18⅝	..
N								
Nash Motor Co.	118⅞	40	58⅛	21½	33½	27¼	31⅝	4
National Biscuit	236⅝	140	93	68⅝	81⅞	76	78	2.80
National Cash Register A	148⅝	59	83½	27⅝	35½	29	33¼	3
National Dairy Prod.	86½	36	62	35	42⅝	38⅛	43	2.60
National Power & Light	71⅞	23	58⅝	30	37¼	31⅝	34⅞	1
North American Co.	186⅝	66½	132⅞	57⅛	72⅝	63	69½	§10%
O								
Otis Elevator	55	22¼	86⅝	48⅛	58½	54	56½	2½
Otis Steel	55	28¼	38⅞	9½	15½	10	13⅞	..
P								
Pacific Gas & Electric	98⅝	42	74⅝	40⅝	50	45⅛	45⅞	2
Pacific Lighting	146½	58⅛	107⅞	46	57	50⅛	54⅞	3
Packard Motor Car	32½	13	28⅝	7⅛	9⅞	8⅝	9½	.60
Paramount Publix	75½	35	77⅛	34⅝	45⅝	36⅝	44	4
Penney (J. C.)	105⅛	66	80	27⅝	33⅝	28⅛	32⅝	3
Phillips Petroleum	47	24⅛	44⅝	11⅛	16⅝	12⅝	13⅝	2
Prairie Oil & Gas	65⅝	40⅛	54	11⅛	18⅞	12⅝	13⅝	2
Prairie Pipe Line	65	45	60	16⅝	26½	17⅞	18⅛	5
Procter & Gamble	98	43⅛	78⅞	52⅝	69½	66	67	2.40
Public Service of N. J.	137⅝	54	128⅝	65	81⅝	72	79	3.40
Pullman, Inc.	89½	73	89⅝	47	58	49⅝	55	4
Pure Oil	30⅝	20	27½	7⅝	11⅞	8⅝	10½	..
Purity Bakeries	148⅝	55	88⅝	30	49	38	45	4
R								
Radio Corp. of America	114⅝	26	69⅝	11⅝	18½	12	14	..
Radio-Keith-Orpheum	46⅞	12	50	14⅝	18⅝	15⅝	17⅝	..
Remington-Rand	57⅞	20⅝	46½	14⅛	17¼	15⅛	16⅛	1.60
Republic Steel	146½	62¼	79½	10½	19½	12	16½	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	45⅛	40⅝	44½	3
Royal Dutch	64	43⅛	56½	36⅝	41	37⅝	39¼	1.36
S								
Safeway Stores	195¼	90⅛	122⅝	38⅝	46¼	38⅝	44	5
Sears, Roebuck & Co.	181	80	100⅝	43⅝	51⅞	44⅞	49¼	2½
Shell Union Oil	31⅝	19	26½	5⅛	10¼	7⅝	9⅝	..
Simmons Co.	183	59½	94⅞	11	17⅝	14⅝	16	..
Sinclair Consol. Oil Corp.	45	21	32	9⅝	13¼	10⅛	11⅞	1
Skelly Oil Corp.	46½	28	42	10⅝	12⅝	8⅛	8⅝	..
So. Cal. Edison	93¼	45⅛	72	40⅛	50	45⅝	48⅝	2
Standard Brands	44⅝	20	29½	14⅛	18⅞	16¼	18⅝	1.20
Standard Gas & Elec. Co.	243⅝	73½	129½	58½	66⅞	58	68	3½
Standard Oil of Calif.	81⅞	51½	75	42⅛	50½	45⅛	47¼	2½
Standard Oil of N. J.	83	48	84⅞	46⅛	51¼	45⅝	47¼	2
Standard Oil of N. Y.	48⅛	31⅝	40⅝	19⅝	25⅝	22½	28½	1.60
Stewart-Warner Speedometer	77	30	47	14⅝	19½	14½	15½	..
Stone & Webster	201½	64	113⅝	37½	47⅞	40⅞	44	4
Studebaker Corp.	98	38⅛	47½	18⅛	24⅞	20⅝	21	1.20
T								
Texas Corp.	71⅞	50	60½	28⅛	36¼	30⅛	32⅝	3
Texas Gulf Sulphur	85¼	42½	67⅝	40¼	49⅝	45⅝	48⅝	4
Tide Water Assoc. Oil	23½	10	17⅝	5⅝	9	6½	7⅝	.60
Timken Roller Bearing	139⅝	58½	89¼	40⅛	48½	43	46	3
U								
Underwood-Elliott-Fisher	181⅝	82	138	49	63½	51½	60	5
Union Carbide & Carbon	140	59	106⅝	52½	61	55½	58⅝	2.60
United Aircraft & Trans.	162	31	99	18⅝	27⅞	22½	25	..
United Corp.	75½	19	52	18⅝	21⅞	16½	20⅝	..
United Fruit	158½	99	105	46½	61	51½	58⅝	4
United Gas Imp.	59⅝	22	49⅝	24⅛	30¼	27⅝	29	1.20
U. S. Industrial Alcohol	55⅞	12	139⅝	50½	65½	59½	61	6
U. S. Pipe & Fdy.	243⅝	95	38¼	18⅛	31	27⅝	29	2
U. S. Realty	119½	50½	75½	25	33	26¼	31⅝	3
U. S. Rubber	65	15	35	11	13⅞	11⅝	12⅞	..
U. S. Smelting, Ref. & Mining	72⅞	29⅝	36½	17½	22	18⅝	21¼	1
U. S. Steel Corp.	261⅝	150	198⅝	134⅝	145	137⅞	140⅝	7
V								
Vanadium Corp.	116½	37½	143¼	44⅝	56½	45½	47⅞	3
W								
Warner Brothers Pictures	64½	30	80½	9⅝	18	13	16⅝	..
Western Union Tel.	272¼	155	210⅝	128⅛	149	130	137	8
Westinghouse Air Brake	67⅞	26½	52	31⅛	34⅝	33	34	2
Westinghouse Elec. & Mfg.	292⅝	100	201½	88½	95⅝	82⅝	84	5
White Motor	53½	27⅛	43	21⅝	26¼	23¼	†23⅝	..
Woolworth Co. (F. W.)	103⅞	52⅛	72⅝	51½	60⅛	54⅝	57	2.40
Worthington Pump & Mach.	137⅞	42	169	47	74	59⅝	70⅝	..
Y								
Youngstown Sheet & Tube	142	81	150½	69½	75	73½	†75	5

† Bid Price. § Payable in stock.

Campbell Wyant and Cannon Foundry Company

The Board of Directors at the regular monthly meeting held January 20th, 1930 declared a quarterly dividend of twenty-five cents ($.25) per share, payable March 1st, 1931 to stockholders of record February 14th, 1931.

IRA A. WYANT,
Secretary

Securities Analyzed, Rated and Mentioned in This Issue

Trade Tendencies

(*Continued from page 506*)

likely—a time of greater activity in residential construction than was January, 1930, it may be taken as representing another significant milepost on the road to general business recovery. Even should the recovery be sustained, however, it will be some time before those companies specializing in the manufacture of building materials and supplies actually feel the benefit and a still longer period must elapse before any benefits that may accrue receive concrete recognition in published earning statements.

COAL

Faces Low Demand

The coal industry, in both the "hard" and "soft" divisions, has been suffering for a number of years from the increasing use of other fuels and also the more efficient utilization of coal itself. This has been accentuated by the present business depression, which has caused a very materially lessened demand, particularly for industrial purposes. It is true that the production of bituminous coal has declined somewhat, but any curtailment that has taken place has been insufficient to cover the decrease in demand. In the anthracite division, production during both November and December was above that of last year and, although this division is in a better position than the other, it cannot be said that prospects are other than very obscure, despite recent efforts to reduce costs by drastic wage agreements. Reflecting the poor outlook, coal securities have declined precipitously, but even at the present deflated prices it cannot be said that they represent opportunity to investors.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, January 19	84.86	161.45	103.63	147.72	145.69	1,114,830
Tuesday, January 20	85.17	165.82	104.71	150.19	147.07	1,329,260
Wednesday, January 21	85.25	164.76	105.86	151.49	149.02	1,407,585
Thursday, January 22	85.40	168.46	107.17	153.15	149.82	1,860,740
Friday, January 23	85.55	171.84	108.43	156.16	155.44	2,868,150
Saturday, January 24	85.70	169.80	108.53	156.01	153.80	1,126,790
Monday, January 26	85.80	171.19	109.55	156.24	153.46	1,534,970
Tuesday, January 27	85.61	170.82	109.26	156.25	153.98	1,601,720
Wednesday, January 28	85.29	166.84	107.71	154.98	151.63	1,628,910
Thursday, January 29	84.88	168.87	107.95	154.27	151.08	1,754,263
Friday, January 30	84.55	169.84	108.51	156.49	153.65	2,228,487
Saturday, January 31	84.47	167.55	108.18	154.78	152.83	796,732

Answers to Inquiries

(*Continued from page 508*)

pany have grown tremendously since formation of the enterprise and the net also has shown a steady uptrend. The net income in 1929 totaled $51,119,692 or $4.90 a share, as against $46,875,101, equivalent to $5.43 a share in the previous year. The earnings report for 1930 will make a poor comparison with 1929 figures, due to the unsatisfactory conditions under which oil companies operated. The president of Texas Corp. recently announced that earnings for 1930 probably will not exceed $1.52 a share, but on the basis of Texas Corp.'s strong position in the oil industry and its efficient management, this report likely is indicative of the earnings trend of the other oil leaders last year. While the annual $3 dividend was not earned, the president forecast that the company's financial strength would enable dividends to be paid this year at the present rate, even if market conditions did not improve. Dividends have been paid without interruption since organization in 1902. Texas Corp. should be among the first of the oil companies to recover former earning power when general business conditions as well as those in the oil industry improve and we believe that you would be justified in retaining your equity in this enterprise over the longer term.

YOUNGSTOWN SHEET & TUBE CO.

Will you please let me have your analysis of the outlook for Youngstown Sheet & Tube common in view of the recent injunction against the proposed merger with Bethlehem Steel? Shall I continue to hold 100 shares for which I paid 102 last year? —D. R. F., Savannah, Ga.

The Youngstown Sheet & Tube Co. is a complete unit in the steel industry, ranking as the fourth largest steel unit in the United States. The chief products of the company and its subsidiaries are raw materials, semi-finished iron and steel products and welded and seamless tubular products. Youngstown Sheet & Tube is the second largest producer of steel pipe in the world. Late in December, attempts to merge this unit with Bethlehem Steel were halted by court action. There are indications, however, that Bethlehem Steel has not given up its efforts to extend its scope to Middle West fields, as Bethlehem officials have announced that the court decision will be appealed. This has been interpreted in some quarters as a compromise measure with the Youngstown Sheet & Tube minority shareholders, opposing the consolidation plan under the initial terms set forth. Pending final settlement of the litigation, future plans of Youngstown Sheet & Tube will remain clouded. Earnings of the company for the first nine months of 1930 were equivalent to $5.34 a share, compared with $13.90 a share in the similar period of 1929. Falling off in demand and lower prices for general steel products caused the drop, since steel pipe business held up during the period. It has been estimated that earnings for the full year will be in the vicinity of $6 a share. The company holds an important position in the steel industry, however, and while market fluctuations are likely, pending settlement of the merger plans, we see no reason for taking a loss on the shares at this time.

COLGATE-PALMOLIVE-PEET

Would you advise that I retain 200 shares of Colgate-Palmolive common which cost me 58? As this is one of the comparatively few companies likely to report better earnings for 1930 than for 1929, I assume the market value of the stock is simply being retarded by the general depression. Am I right in this assumption?—H. L. M., Flint, Mich.

The nationally advertised soaps, cold creams, talcum powders and allied products of the Colgate-Palmolive-Peet Co. are now distributed in more than 48 different countries throughout the world. The present company is the result of the merger of the Palmolive-Peet Co. and Colgate & Co., two very old manufacturers of soaps, etc. The merger appears to have been entirely satisfactory as earnings have shown phenomenal growth in four years, despite the fact that net sales showed little gain. Colgate-Palmolive-Peet has been concentrating its efforts on reduction of expenses and elimination of duplication of effort, as the component units of the present company were engaged in the same line of business. Business lost through elimination of unprofitable lines has been made up by increased sales in other lines. As the company becomes more compact, sales should show a trend upward. The earnings for the first half of 1930 showed a gain of more than 18%, although sales fell off somewhat. Per share results for the period were $1.66, against $1.36 in the corresponding period of 1929. However, the report for the final six months of last year likely will show a slight trend downward, because of generally depressed business conditions. The longer term outlook is favorable, and gradual earnings growth may reasonably be looked for when conditions improve. We suggest that you hold the shares.

ALLIS-CHALMERS MANUFACTURING CO.

Is Allis-Chalmers common a "buy" on recessions? I have read that this stock should be among the first to reflect improvement in general trade because of its well diversified line of products. What is your opinion? Do you think the $3 dividend is in danger?—B. M. F., Niagara Falls, N. Y.

Products of the Allis-Chalmers Manufacturing Co. are well diversified, including electric motors, transformers, generators, steam and hydraulic turbines, steam, oil and gas engines, sawmill and mining machinery, pumps and tractors. The many industries served by the company have tended to have a stabilizing effect on earnings although the severity of the business depression caused the net income for the second half of 1930 to show a decrease. The report for the first half of 1930 showed earnings of $1.87 a share, as against $1.73 on the same number of shares in the first six months of 1929. However, earnings in the third quarter fell off to 54 cents a share, as compared with 94 cents a share in the June quarter, which brought results for the first nine months of 1930 to $2.41 a share. In the similar period of 1929, $2.68 was earned. Business in the final quarter continued to slacken and it is unlikely that the annual $3 dividend was covered. While the financial position of Allis-Chalmers was said to have been satisfactory at the close of 1929, it is possible that stockholders face the possibility of a dividend reduction since the former earning power of the company cannot be restored at once, in view of business uncertainties. The longer term outlook for this company, however, continues to be favorable, but we do not favor initial commitments in view of present market uncertainties.

TEXAS GULF SULPHUR CO.

Yielding over 8% at its current price I am wondering if the $4 dividend on Texas Gulf Sulphur is secure. Reported earnings indicate the dividend was covered by a substantial margin last year but I would like your unbiased opinion. Is the stock a good semi-investment holding for eventual recovery to my buying price of 66?—V. F. M., Cleveland Heights, Ohio.

Texas Gulf Sulphur Co. occupies the leading position in the production of sulphur. Moreover, since the company, together with its largest competitor, controls about 75% of the world's known deposits of this commodity, operations and prices have remained relatively stable. This factor may be best illustrated by the maintenance of satisfactory earnings during last year; a period marked by the sharp contraction of operations and profits of most companies. The management has been aggressive in the expansion of properties; and it is said that present deposits will

allow the company's operations to continue for the next forty years. It is interesting to note that during the growth of the company, at no time was it necessary to incur obligations in the way of funded or floating loans, the costs of expansion being paid for out of reserves built up over a period of years for that purpose. Earnings have shown an upward trend since 1921, with 1929 returns establishing a new record of $6.40 a common share against $5.72 in 1928. Net income for the nine months ended September 30, 1930, amounted to $10,793,799 equivalent to $4.25 per share, compared with $11,480,489 or $4.52 a share for the corresponding period a year earlier. Although full 1930 returns fell short of those reported for 1929, it is expected that 1928 results were surpassed by a fair margin. Prospects for the current year are favorable, and we believe the dividend rate is secure. We regard the shares as attractive on an income basis, and we see no reason for disturbing commitments made at higher levels.

REPUBLIC STEEL CORP.

I have a loss of $5,000 on 100 shares of Republic Steel common bought at 79, when I thought that this company was slated to be one of the giants of the industry. Shall I keep on holding in anticipation of merger possibilities and a steady advance as steel conditions become more normal?—M. K. M., Hutchinson, Kans.

Republic Steel Corp. ranks as the third largest enterprise in the steel industry of the United States; rated annual capacity amounting to approximately 4,970,000 tons of ingot. The company found its inception during April, 1930, by a consolidation of several independent steel enterprises, the nucleus of which was the Republic Iron & Steel Co. Operations cover all branches of the industry, including the manufacture of alloys and stainless steel; the latter being produced under Krupp Nirosta patents. In addition to being one of the largest producers of stainless steel, the company promises to occupy a dominant position in the pipe department, through the employment of the Johnston Process, which involves electric welding. About 4,000 miles of electric welded pipe were sold during the period from organization to the close of 1930. Unfortunately the company began operations in a period of declining industrial activity, with the result that earnings thus far have been unimpressive. A net loss of $97,268, after deduction of interest, depreciation and other charges, was reported for the first nine months of 1930. The deficit actually occurred in the third quarter of the year, when the loss amounted to $1,740,509, as compared with profits of $1,643,241 for the first six months of 1930. The annual report of the company is likely to reveal an even greater loss for the final three months, in view of lower prices received for products and smaller volume of business. Since the company is largely dependent on the automotive industry, resumption of more normal activity in this field should be reflected in earnings improvement. Although we do anticipate a substantial upturn in income during the immediate future, we believe that operations eventually will be on a basis conducive to a distribution of profits to stockholders. Moreover, since present quotations for the company's shares appear to have discounted the unfavorable factors as exist, we are inclined to counsel further retention of the issue, as a long term speculation.

PURITY BAKERIES CORP.

How do you rate Purity Bakeries common at the present time? I have 200 shares at 82 and am worried by the decrease of over a half million dollars in net income reported for the 12 weeks ended December 27, 1930 as compared with that for the same period last year. Shall I continue to hold my position?—W. L. L., Binghamton, N. Y.

Purity Bakeries Corp. has expanded rapidly in recent years, and now ranks as the second largest enterprise in its field. The company, through subsidiaries, produces bread, cake and specialties in 57 plants, strategically located in 14 states. Distribution is accomplished through 341 stores, located principally in New York, Chicago and Philadelphia, as well as 2,000 delivery routes supplying in excess of 100,000 retail stores. Current bulletins indicate that with the opening of two new bakeries in Chicago and Buffalo last year, expansion program of the company had been completed for the time being, and that all efforts would be concentrated on fully co-ordinating present facilities. Thus, operations during the current year should prove more profitable than those for the year just ended. Reflecting lower prices received for its products and reduced volume of sales, earnings registered a decline for the first time in the company's history (organized in December, 1924). Net income for the year ended December 27, 1930, amounted to $4,130,872 after all charges, equivalent to $5.13 per share on 805,044 no par common shares. This compares with $5,652,285 or $7.02 a share on 805,062 common shares for the calendar year of 1929 and $5.86 a share in 1928. Financial condition at the close of last year was sound, current assets amounting to $4,159,908 of which $1,898,776 consisted of cash, compared with current liabilities of $1,192,557, leaving net working capital of $2,967,351. In view of the more favorable 1931 outlook, we believe present dividend to be reasonably secure, and suggest maintenance of your present long position in the shares.

UNITED STATES PIPE & FOUNDRY CO.

What is the financial position of the U. S. Pipe & Foundry Co.? Its common stock seems to have difficulty in staying over 30. On the other hand, it held up rather firmly during the recent recession. I have 400 shares at 47. Do you approve holding?—J. S. E., Baton Rouge, La.

The United States Pipe & Foundry Co., the leading producer of cast iron pipe, found conditions for marketing of its products favorable in 1930, a year during which industrial earnings generally showed a declining trend. Municipal improvement programs for carrying out water, gas and similar construction work were pushed ahead last year in order that the low money rates might be taken advantage of. As a result, the U. S. Pipe & Foundry Co., according to preliminary reports, earned $3,881,046 equivalent to $3.42 per common share as compared with $2,581,230 or $2.74 a share in 1929. U. S. Pipe & Foundry holds exclusive rights to manufacture cast iron pipe by the de Lavaud process in North and South America. Competition is keen, as other manufacturing methods have been improved but the upward revision of the tariff is a favorable factor and prices of cast iron pipe are holding at satisfactory levels. The financial position was strong at the close of 1929 as current assets of more than $20,000,000 compared with current liabilities of but $1,600,000. Cash or the equivalent amounted to $13,300,000. Continuance of demand for cast iron pipe is indicated by more favorable conditions for municipal financing, and the number of bond issues for public improvements which were voted favorably at recent elections. Dividends on the common stock have been declared for the entire year 1931, and we consider the issue suitable for holding in your portfolio.

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Hershey Chocolate

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ingly attractive medium grade investment at this time. It may react, of course, in sympathy with any general trend of the stock market, but the prospective investor may rest assured that the business is being managed as it was built, honestly and unspectacularly—to the lasting credit of a Pennsylvania farmer's boy.

Have Commodity Prices Hit Bottom

(*Continued from page* 483)

Bituminous production has been declining slightly and irregularly since the middle of 1927 and at no time during 1930 was it up to the figure for the corresponding date in 1929.

The prospect in both branches of the industry is not encouraging. Operators are talking of a Congressional inquiry in the hope of working out some plan to get around present anti-trust regulations, so that by some sort of combination they may eliminate the destructive competition within their own ranks.

Conclusion To sum up, reviewing the situation as a whole, while the outlook in some directions must appear uncomfortably uncertain, yet, in most instances, where the market has been allowed any free play, price liquidation—or deflation—would seem to have fairly run its course. There are surpluses to dispose of, some of them burdensome, but there is nothing to justify any general assertion that movement or absorption of these may be accelerated by further price reductions.

In sugar, for example, with or without the Chadbourne plan, the world may not expect to have raw sugar provided for its consumption at 1 cent per pound.

There is no one to gain anything by lower prices for oil, crude or refined; volume could not be increased thereby. In rubber, the stabilization plan has run its course and crude rubber is at a price where natural improvement must follow upon any solid recovery in business.

It seems that the weight of economic opinion now feels that the country has passed the deepest part of the depression.

It is certainly true that the whole world is concentrating upon the one problem of business, regardless of divergence in viewpoints and specialization as to items of production.

It would surely be absurd to look upon the present strained and uncertain conditions, even admitting that they may prevail, in some lines, during the greater part of the coming half year, as something that can, by any possibility, crystallize into permanency. Outside interference with economic law may prolong an unhappy condition for a time, but, in the end, these must pass and world trade resume its normal course of sound expansion and freedom of exchange in world goods. Any other postulate is unthinkable.

They Do It In Cleveland

(*Continued from page* 477)

member of Otis & Co. Taking a trip up the Great Lakes, his interest in the iron business was aroused by the titanic spectacle of armies of steam shovels loading whole trains of ore cars directly from the stripped ore beds, and that of the endless procession of huge ore-carrying vessels through the locks at the "Soo." So the brain that had built up a great utility system, that founded Continental Shares and other investment companies as a financing adjunct, turned its energy and thought processes to iron and steel. The Trumbull Steel Co. was resuscitated, also Central Alloy, and control was bought of Republic. Eaton and associates also acquired a half interest in the Cliffs Corp., which controls the famous Cleveland Cliffs Iron Co., owner of about two-thirds of the Marquette iron ore range in northern Michigan. The original capital of this $65,000,000 company has never been changed from $250,000, which gives an idea in a flash of the intense conservatism of old-time Clevelanders. Last year, Eaton interests—William Gwynn Mather signing the checks—acquired control of the Corrigan-McKinney Steel Co., and there is much talk of an alliance between it and the Otis Steel Co. Eaton acquired an interest in the Youngstown Sheet & Tube Co., and recently staged the dramatic duel with Charles M. Schwab, Eugene Grace and others in which he successfully contested (for the time being at least) the proposed amalgamation of Bethlehem Steel and Youngstown; contrary, unfortunately, to the Eaton plan to absorb Inland Steel. The steel-and-iron objective of Eaton is the creation of a fourth great grouping of the steel states

of America. "He'll do it, too," said an admirer. "He was born great. I knew it the first time I saw him in a conference, without then knowing him by name or face."

J. O. Eaton, also associated with Otis & Co., is no family relation of Cyrus, but is even more adept at avoiding publicity. His name is best known in connection with the Eaton Axle Co., and Central Alloy. He is noted for the active interest he takes in these and all other enterprises with which he is connected.

Another Steel Maker

E. J. Kulas, Cleveland born and devoted, is one of those typical American executives who land in high places by other than the old reliable routes of starting as office boy or shopman in some particular industry and sticking until the top is reached. After a varied career as railroad telegrapher, bookkeeper and auditor in various lines, manager of the Peerless Motor Co., all-around business doctor and rehabilitator, notably for National Electric Lamp Co. of General Electric, he was indulging his hobby of travel, in Africa, when a stirring cablegram called him back to Cleveland to undertake a rejuvenation of the Parrish & Bingham Co., which led to the formation of the Midland Steel Products Co., noted as a producer of automobile frames, of which he became president. In 1925, being then only 45, he was summoned to the presidency, also, of the Otis Steel Co. Of course, that led to recognition in the Cleveland business aristocracy represented by the directorate of the Union Trust Co. Mr. Kulas is said by his associates to owe his success to the unusual compound of capacity for hard detail work himself and ability to extend to his subordinates, authority as well as responsibility. Many able men fall just short of business greatness because while they are long on imposing responsibility they are stingy with grants of authority.

The Conservative Mathers Branch Out

The Mather family of Cleveland, lords of iron mines, needed a young Napoleon of finance and industry, like Cyrus Eaton, to mobilize its resources; but if it was as conservative as frozen clay, it had the goods on which the alchemy of modern finance could operate. Securities rather than substantial property might be all right for the younger generation, but the men who had salted down the largest iron ore holdings in America, next to those of the U. S. Steel, liked to tramp over their ore lands, walk the decks of their ungainly ore freighters and touch and see solid wealth. They are half brothers, these two old men; Samuel, born in 1854 and William Gwynn, born in 1857, and they got in early on the iron and timber resources of the lake states, saw the lumber industry of that region rise and wane, and the steel industry build itself on the still unexhausted ore.

Samuel is the chief partner in the firm of Pickands, Mather & Co., "miners and dealers in iron ore and coal and manufacturers of pig iron," a director of U. S. Steel, and what not. William Gwynn is chairman of the board of the Otis Steel Co., and the Cleveland-Cliffs barony was their joint patrimony, from the fortune-building pioneer, Samuel Livingston, I. Their interests are protean, and the family flag is being carried on in the third generation by the present Samuel Livingston, son of Samuel, II. The family is of, by and for Cleveland, and the whole weight of their wealth and influence is behind the more or less inchoate movement to build up beyond the Alleghenies a financial and industrial control that will not be a tail to the New York kite.

Bernet, Who Wrecks to Build

Entitled now to be called a Clevelander is John J. Bernet, with whom the Van Sweringens first came into contact when they became interested in the Nickel Plate. They made him president, and he made the Nickel Plate in the course of ten years. Then the brothers transferred him to the presidency of the Erie, and he remade it by a process that looked like a cyclone while the remaking was being done. Next came their acquisition of the Chesapeake & Ohio, and Bernet moved on to the presidency of that system. Now the former telegraph operator is slated to be president of the Van Sweringen consolidation if and when it is finally authorized by the Interstate Commerce Commission. Bernet is much his own type among present-day railroad operating magnates. The preceding generation of railway lords were builders. He is preeminently the rebuilder. He is also exceptional among the present-day administrators of railways in that he is not a formulaist. He is, rather, an opportunist. He does a job and lets somebody else figure out the strategy revealed in the result. What he will do with the Van Sweringen consolidation will be doped out after the event by his rivals at the head of the other three eastern consolidations.

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United Light & Railways

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ferred dividends and minority interests. The policy of the company is toward liberal maintenance and depreciation charges and together these equalled $14,116,036 or 14.8% of the gross revenues.

The margin for interest requirements of the United Light and Power system have steadily trended upward. In 1929, for instance the fixed charges were covered 1.40 times, in 1929 1.29 times, in 1927 1.27 times and in 1926 1.17 times. The most recent ratio of 1.46 times is about the average for the large public utility holding companies. Actually, however, it is probable that on the basis of the earnings of the properties on which these bonds are a lien, the margin of earnings over interests requirements is much larger than indicated for the system as a whole.

The United Light & Railways 1st and Cons. Mort. A 6s of 1952 are actively traded in on the New York Curb market and are currently available at the price of 100. Considering the security behind the bond, the issue from a yield basis is decidedly attractive and is a desirable holding for the average bond investor.

Installment Buying Has Fooled Everybody

(*Continued from page* 475)

that are not purely institutional have proved attractive in many cases, especially to local investors, and have been potent in mobilizing home capital for home financing.

It is calculated that the finance companies handle something over half of the 4.5 million-dollar annual volume of installment credit, the rest being financed originally. The latter portion bears a very small relation to the total business of retailers, only about a tenth, according to a survey made recently by the Department of Commerce. The same survey indicated that stores doing installment business carry twice as much on open account, although, of course, there are many individual stores in some lines that are overwhelming on the installment basis.

It seems to be generally agreed that one of the great problems of modern business is to keep a maximum amount of earnings, wages, salaries and profits constantly rotating in the purchase of consumers' goods. Savings accumulate so rapidly that the ever-present tendency is to put too much into capital investment, which means a persistent menace of potential if not actual overproduction. Installment selling has made a distinct contribution in this direction. It hastens outgo into income and vice versa.

The widened markets opened up make for mass production and, so, cheapen products. On the other hand, installment selling has made open account credit slower, and it always makes for higher current retail prices all around; as part of the admittedly larger risk is not only protected by higher prices to the installment purchases, but in many instances by higher prices even to the cash buyer.

Will Everything Be "Installed"?

It is not surprising that consumer installment buying is coming to be applied to almost everything — unfortunately to cheap consumer goods and meretricious luxuries. (You can buy diamonds for a dollar down and pay for tires as they blow out.) New finance companies are being formed to mobilize installment credit for everything, from putting new shingles on your house and an oil burner in the basement, to travel. School teachers mortgage their summer vacation salaries to take a trip to Europe—and more people cross the Atlantic than ever before—and there is talk of a finance company to mobilize that form of credit.

Not as to the effect of installment buying on the rhythm of business—the cycle. We must conclude that it has had no direct effect in the way of weakening the general credit structure before or during the present phase of the cycle. It has simply tapped a small portion of the vast lake of unused potential credit in this country, and in doing so it has not disturbed other credit in any important degree. It probably operated to make the last boom more top heavy than it otherwise would have been. It had the effect of creating in a degree an unbalance of production through its overstimulation of the lines in which it is most energetically used. It tended in those years of its initial large-scale application to actual inflation of production, a contagion of overdone optimism and the depression of some businesses in the midst of prosperity. It contributed to action and consequently to reaction. We went higher and are falling lower because of it.

It got such a momentum during the boom in certain products that still newer products may have been barred from its stimulus, which if they had had a chance might have spurred the dulling appetite for buying.

But these now have their chance. It is the new thing that captivates popular fancy and turns the thoughts of the masses to income-mortgaging every time they have liquidated the obligation of the last satisfaction of emotional acquisition. The now highly developed and stabilized installment system will be the means of rapid acceleration when hope revives and enterprise stirs anew. It will contribute powerfully to the next new advance in the standard of living by the facility with which the next gadget a popular favor—the always possible new starter of the business motor—will be put over.

Motion Pictures Use the Pruning Hook

(*Continued from page* 485)

probably see these costs considerably reduced. The average cost of feature films now approximates $375,000, ranging as a rule from $100,000 to $500,000 for individual features.

One of the newer developments in the industry is the sponsored film, a picture sponsored by an advertiser and shown in the houses of the producer. This scheme will place motion picture programs on a similar basis to radio programs, with costs to the advertisers dependent on the box office count. The idea contains many interesting possibilities and may be worked out at a later date, but the injection of undisguised commercialism into motion picture drama may cause adverse reaction on the part of the audience.

The foreign market presents still another problem. In the days of the silent film, American productions were supreme in the foreign field. Indeed, export business contributed 30 to 35 per cent of the income of American film producers. Since the coming of the talking pictures, this situation has gradually changed, with foreign producers rapidly encroaching on markets abroad that were largely ours. This change is only natural, considering the language difficulties which the American companies have to contend with. While the American producers will long remain important factors on the foreign markets, it appears that the trend will be adverse over the longer period.

Outlook Still Uncertain

Gross earnings for the industry as a whole reach a peak during the first half of 1930. During the second half of the year some of the adverse influences mentioned previously operated to cause an appreciable drop

ping off in earnings, although in recent weeks there have been distinct signs of recovery. The summer of last year particularly was a critical period with the public's interest diverted to miniature golf, among other things. This is but a reflection of the apathy which developed and a desire no doubt during the warm season for outdoor recreation. Unless the coming summer has better box office attractions than last year, a similar period may be experienced this year.

A shrinkage in gross earnings can be attributed to a drop in attendance and to cutting of admission prices which, although not general as yet, have been numerous enough to be felt. The producers, now operating largely on the percentage system, that is charging for films on the basis of box office receipts rather than the flat rate formerly in vogue, are now of course immediately affected by variations in attendance and admissions either through their own theatre outlets or through the renting of their productions to independents and others.

With a trend now apparently toward lower gross revenues, the question of net earnings to the large integrated units in the industry devolves on the extent to which economies can be effected to offset the loss in revenues. It is conceivable that savings may be far in excess of the drop in gross, so that net earnings will actually be larger than before. It is obvious, therefore, that the industry is at an interesting if critical period in its history.

The current quotations of the motion picture and amusement stocks reflect the doubts characteristic of a transition period such as the industry is now passing through. If successful in meeting the new conditions, the shares as a class will present considerable attraction when market conditions improve, but this still remains to be proven. Knowing the position of the industry and using it as a background, the prospects of the individual companies become more clearly defined. Paramount-Publix Corp., Loew's, Inc., and Radio-Keith-Orpheum Corp. are invested with the more conservative aspects; the financial position generally sound, and earning power fairly well intrenched. Fox Film Corp. and Warner Bros. Pictures, Inc., on the other hand, are still confronted with problems incident to the rapid expansion programs engaged in earlier, and consequently occupy a more speculative position.

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New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Jan. 29, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer.	164½	140½	154
Aluminum Pfd. (6)	109½	106¾	108¾
Amer. Cyanamid "B"	10¼	7⅝	9⅞
Amer. Gas Elec. (1)	97½	70¼	74¾
Amer. Superpower (.40)	12⅝	9⅝	12¼
Assoc. Gas Elec. "A" (2)	21⅝	17½	21⅝
Brazilian Tr., Lt. & Pr. (8 Stk.)	25	21	23⅝
Central States Elec. (.40)	11⅛	9	10¼
Cities Service (.30)	18¾	15	18
Cities Service Pfd. (6)	83½	79⅝	82⅝
Comwlth. Edison (8)	244¾	221	241
Cons. Gas of Balt. (3.60)	90	82	85⅝
Consolidated Laundries (1)	13⅛	10	13
Cord Corp.	8⅝	5⅞	8¼
Cosden Oil	3¾	2⅛	3¼
Deere & Co. (1.20)	42	33⅛	34
Durant Motors	1⅜	1¼	1⅛
Elec. Bond Share (6)	45⅞	40	43⅞
Ford Motors of Can. A (1.20)	25	21⅞	23½
Ford Motor of France (.28)	9½	7½	9½
Ford Motors, Ltd. (.37½)	19⅞	14⅞	18⅛
Fox Theatre A	6⅛	4⅛	5¼
General Baking	1⅜	½	⅝
General Baking Pfd. (8)	35	27	28⅝
Gen. El. Ltd rcts. Eng. (.70)	11	10⅜	10⅜
Glen Alden Coal (8)	60	54⅛	54⅛
Goldman Sachs T.	8⅝	5¼	6⅛
Gulf Oil (1.5)	75½	63¾	68
Humble Oil (2½)	65	57⅞	62⅛
Hygrade Food Products	3⅝	2¾	3

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Insur. Securities Inc. (.70)	8	6⅛	7½
Internat. Pet. (1)	15½	14½	14½
International Utilities B	7⅝	5¼	7½
Lone Star Gas (1)	29	24	26½
Mid. West Util. (8% stk.)	23	17⅛	22¾
Mo., Kansas Pipe Line (10% stk.)	11	5	6⅝
Mountain Producers (1.60)	5⅝	4⅝	5½
National Fuel Gas (1)	26⅝	21¾	25½
Niagara Hudson Power (.40)	11	9¼	10⅜
Do A war.	2¼	1⅜	2
North States Pow. Pfd. (7)	103½	101	103½
Noranda Mines	18	14½	17⅝
Pennroad Corp. (.20)	8	6⅛	7½
Pittsburgh Plate Glass (2)	42½	36	41
Ruberoid Co. (4)	37¾	34	34
St. Regis Paper (1)	15½	13⅜	14⅝
Salt Creek Producers (2)	7¾	6⅛	7
Standard Oil of Ind. (2½)	38½	35⅝	36⅞
Stand. Oil Ky. (1½)	23½	20⅜	22⅝
Stand. Oil Ohio (2½)	62½	49¾	53¾
Stutz Motors	21½	18½	21½
Transcontinental Air Trans.	4⅞	3⅝	4
Tubize Chatel. "B"	4⅝	3⅝	4½
Ungerlieder	24⅝	21¼	24
United Fdrs. (2/35 sh.)	9⅞	6⅞	8½
United Gas	11⅞	7⅞	10⅞
United Lt. & Pow. A (1)	27¼	23	26⅛
Utility & Indus. Corp. Pfd. (1½)	19	14⅝	18⅜
Utility Pow. & Lt. (1.02½)	11½	9	11
Vacuum Oil (4)	62⅞	52⅝	56⅝

CURB prices moved irregularly higher during the past fortnight, holding, on the average, the ground that was gained by the rise at the start of the year. The performance of different groups on this exchange tended to emphasize the irregularity. There was some selling of the petroleum stocks that depressed the market for both the Standard Group and the independents. Public utility shares on the other hand were relatively stronger.

The two issues which dominated trading throughout the past year, namely *Electric Bond and Share* and *Cities Service,* were the conspicuous leaders in the trading activity during the first month of the current year. Very heavy trading was experienced by Electric Bond & Share in its earlier rise from under 38 to 45 but the stock was forced to absorb considerable selling at the latter figure. The company has taken advantage of the deflated prices of subsidiary companies and has added substantially to its investment holdings throughout the utility list.

With any prospect of a turn for the better in the general market situation, foresighted investors expect to see the benefits of these low priced acquisitions reflected in higher values for Electric Bond & Share capital stock. Extensive investment commitments in utility stocks naturally make these shares sensitive to the current day-to-day price trends. The close relation between market prices of public utility stocks generally and the net asset value of Electric Bond & Share stock, however, is not an impressively favorable factor, as long as the market is at its present low level.

This type of investment, which is essentially a public utility investment trust, must be appraised in terms of its long range prospects. The reported earnings of less than $2.50 a share for the twelve months to October, are calculated on a basis of receipts from investments and subsidiaries and probably understate the real earning power of the shares. Because the actual earning power is not determinable in greater detail, market values of the shares will more likely follow the general trend of utility stocks rather than company reports.

Cities Service stock responded to news in the past weeks of acquisitions in the petroleum field. An exchange offer to *Richfield Oil* shareholders has been made with the plan of further expanding the company's minority interest in this company. Following this acquisition plan, Cities Service has obtained an interest believed to represent working control of *Warner-Quinlan.* Due to the heavily deflated values of petroleum stocks, these acquisitions were made at prices which are expected to redound ultimately to the advantage of the parent company.

Testing the Theory of "Stocks for Long Term Investments" in a Bear Market

(*Continued from page* 505)

selection; in the last, we submit, we were thoroughly honest in taking stocks that were popular, in varied enterprises, and *primarily on their rating at the time of selection.*

Since only the conservative safeguarding of "principal" for a long term is our thesis, it is reasonable that the holder of the common stocks of a company of which you might desire to be the owner of bonds, has greater chance for conservation of investment, as well as gain. If dividends are not always gleaned with the same regularity, the common stockholder has the greater opportunity of achieving: (1) Larger dividends from earnings, (2) greater distributions, and (3) much greater average enhancement in the value of his securities. It is an entirely reasonable conclusion, therefore, in the light of the statistical data presented above, that the desirability of common stocks for long term investment, as an investment principle, stands the test of the 1930 bear market.

American Steel in Foreign Markets

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types of pipe and steel for special uses.

The drop in our export of iron and steel in the raw state has brought home the conviction that our greatest expansion in foreign markets lies in the sale of machinery, automobiles and various articles of industrial and household equipment. The intense cultivation of home markets is thus indirectly a factor in holding our markets abroad. But we cannot blind ourselves to the fact that European producers are becoming more and more alert to this and are themselves attempting to Americanize their own industries.

As steel girds for this fight in world markets it is perhaps of interest to examine the domestic prospect.

The Trend At Home

The larger uses of steel are in the making of automobiles, by railroads, and in construction work. During 1928 and 1929 the greater proportion of steel, 18 per cent, went into the making of automobiles. But during the past

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	183.40	133.73	182.20	No	92	4.3
Union Pacific	4 (N)	39.85	46.32	49.48	No	85	4.7
Atchison, Top. & S. Fe	5 (N)	40.47	40.21	49.18	No	106	4.7
Baltimore & Ohio	4 (N)	38.44	49.44	48.87	No	77	5.2
Illinois Central Conv. A	6 (N)	54.07	66.28	70.98	115	110	5.5
Pere Marquette Prior	5 (C)	64.08	75.60	55.50	100	86	5.8
Colorado & Southern 2nd	4 (N)	53.76	45.46	37.72	No	67	6.0
N. Y., New Haven & Hart.	7 (C)	22.05	34.40	45.47	115	116	6.0
Southern Railway	5 (N)	36.17	32.11	30.21	100	81	6.2
Colorado & Southern 1st	4 (N)	57.76	49.45	41.72	No	60	6.7
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	22.49	23.60	25.14	102	87	6.9
N. Y., Chicago & St. Louis	6 (C)	20.31	17.68	20.49	110	87	6.9
Kansas City Southern	4 (N)	9.04	14.01	16.02	No	57	7.0

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§16.28	20.92	19.04	No	150	5.3
Pacific Gas & Elec. 1st	1½ (C)	3.49	4.24	4.57	No	27	5.6
So. California Edison "B"	1½ (C)	....	3.28	3.61	28¾	27	5.6
North American Co	3 (C)	31.74	40.22	47.48	55	54	5.6
Philadelphia Co.	3 (C)	28.06	21.75	27.58	No	53	5.7
Amer. Lt. & Traction	1½ (C)	12.72	**17.20	**21.38	No	26	5.8
Columbia Gas & Electric "A"	6 (C)	25.42	30.78	33.95	110	103	5.8
Elec. Bond & Share	6 (C)	....	18.43	29.11	110	104	5.8
North Amer. Edison	6 (C)	63.49	53.15	58.98	105	104	5.8
American Water Works & El.	6 (C)	24.30	31.05	39.11	110	102	5.9
National Pr. & Lt.	6 (C)	38.06	45.38	50.22	110	98	6.1
United Corp.	3 (C)	....	....	4.66	55	49	6.1
Buffalo, Niagara & Eastern Pr.	1.6 (C)	3.88	4.52	5.19	26¼	26	6.2
United Light & Power Conv.	6 (C)	....	....	15.42	105	96	6.3
Engineers Publ. Serv. (w. w.)	5½ (C)	....	8.79	17.65	110	85	6.5
Standard Gas & Electric	4 (C)	16.76	14.07	20.39	No	60	6.7
Federal Light & Traction	6 (C)	39.67	49.93	51.72	100	90	6.7
Electric Power & Light	7 (C)	16.21	17.00	19.03	110	103	6.8
Hudson & Man. R. R. Conv.	5 (N)	40.70	37.02	42.89	No	74	6.8

Industrials

	Div. Rate $ per Share	Earned $ per Share 1927	1928	1929	Redeemable	Recent Price	Yield %
du Pont (E. I.) de Nemours deb.	6 (C)	57.03	69.06	78.54	125	119	5.0
Hershey Conv.	†5 (C)	....	16.25	21.36	No	95	5.3
Aluminum Co. of Amer.	6 (C)	10.26	14.04	17.19	110	109	5.5
Mathieson Alkali Works	7 (C)	74.06	84.50	93.91	No	120	5.8
Stand. Brands, Inc., Cum. A	7 (C)	125.34	123.40	129.41	120	119	5.9
Brown Shoe	7 (C)	44.12	85.27	44.11	120	118	5.9
Bethlehem Steel Corp.	7 (C)	16.32	19.16	42.24	No	117	6.0
Case (J. L.) Thresh. Mach.	7 (C)	38.43	32.59	35.06	No	113	6.2
Curtis Publishing	7 (C)	19.19	21.48	23.93	120	114	6.2
General Mills	6 (C)	....	18.70	18.36	115	96	6.3
Bucyrus-Erie	7 (C)	....	39.34	48.31	120	112	6.3
General Cigar	7 (C)	67.32	62.81	85.92	No	110	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	109	6.4
Commerc. Investm. Trust 1st.	6½ (C)	24.36	45.50	81.92	110	102	6.4
Deere & Co.	1.40 (C)	5.15	5.90	9.64	No	21	6.7
American Sugar	7 (C)	7.97	14.60	15.40	No	104	6.7
Crucible Steel	7 (C)	22.47	22.54	32.65	No	103	6.8
Crown Cork & Seal	2.70 (C)	....	7.90	6.36	45	33	8.2

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock. † Regular rate, $4.

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of America, N. A.	63	66
Bank of N. Y. & Trust Co.	575	595
Bankers	116½	119½
Brooklyn	500	510
Central Hanover	250	255
Chase	100	103
Chatham-Phenix	78	81
Chemical	47½	49½
City	97½	100½
Corn Exchange	122½	126½
Empire	59	62
First National	4000	4200
Guaranty	502	507
Irving Trust	36½	38½
Manhattan Co.	87¼	90¼
Manufacturers	44¼	46¼
New York	156	161
Public	56½	59½
United States Trust	3000	3200

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire	50¾	52¾
Aetna Life	58	60
Carolina	26¾	28¾
Continental	32	34
Glens Falls	48½	50½
Globe & Rutgers	670	720
Great American	28	29
Hanover	33½	35½
Hartford Fire	64	66
Home	36	37
National Fire	61	63
North River	37½	40½
Stuyvesant	35	40
Travelers	1055	1105

INSURANCE SHARES—Continued

	Bid	Asked
United States Fire	46½	50
Westchester	43	46

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety	85	89
National Surety	40	41

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	1	3
Dallas	40	50
Des Moines	1	..
First Carolina	3	6
Lincoln	32	36
Southern Minnesota	..	1½
Virginia	¼	½

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 6% Pfd.	38¾	41¾
Do 7% Pfd.	41	..
Diversified Trustees Shares A.	16⅝	17⅝
Do Series B	15¼	16
Fixed Trust Shares A	15⅜	..
Interl. Sec. Corp. of Amer., B	1½	..
Do A	18¼	..
Do 6% Pfd.	81	..
No. Amer. Trust Shares	5⅝	6⅜
Second Intl. Securities A	18	..
Do 6% Pfd.	87¾	..
Shawmut Bank	8½	10½
U. S. & British Internl. B	1¾	..
U. S. Electric Lt. & Pr. "A".	29¾	31¾
U. S. Shares, Series A-2	8½	9

year, 1930, automobiles took but 15.5 per cent of the output of the mills. The quantity of steel consumed in 1930 by the automobile industry compared with the percentage, 14%, which it consumed in 1927.

While automobiles have dropped to third place, the market for structural steel jumped to first place. Construction work in 1930 took 19 per cent of all steel produced in the United States. It took 22 per cent of the steel produced in 1927, and shared first place with automobiles in 1928 by taking approximately 18 per cent. In 1930 the railroads consumed 15 per cent of the steel produced. They consumed 17 per cent in 1929.

Prosperity of the steel mills during 1931 will depend in no small measure upon the ability of these three industries to consume the output. There is no present indication that automobiles will stage a sudden come-back and railroads are said to be slacking up on their purchases due to the decline in their revenues. On the other hand, public utilities have been buying heavily because of the numerous pipe lines for oil and gas that have been under way. Public construction work has been artificially stimulated by government appropriations. This will undoubtedly increase somewhat in 1931, but not sufficiently to take up the entire slack in steel demand.

The F. W. Dodge Corp. estimates that the value of building and engineering expenditures in the United States during 1931 will be $5,806,000,000, as compared with expenditures of $5,875,800,000 made in 1930. The expenditures in 1930 and the estimates for 1931 are approximately $1,200,000,000 below the ten-year average. That is a decline that cannot be accounted for entirely by the decline in prices or the improvements in economy. On the other hand, it is very well established that the tonnage of steel going into construction has increased at a much larger ratio than other materials.

The steel industry has been alive to the possibilities of the material and the producers have found new alloys, placed them upon a commercial basis, and have consequently greatly improved the processes of construction and the economic value of the completed jobs. There is nothing strange, therefore, in the fact that the steel output of the United States in 1930 (even though a depressed year) was double the steel output in 1921, the previous year of business depression. It merely proves that there has been a tremendous quickening in the methods of producing steel and a widening of the markets for steel. Steel is today more basic than in years past because it is today entering into more industries and making possible still newer industries. As a consequence the earning power of the steel industry will be more sensitive to general business conditions than ever, it will be far more responsive to the fluctuations of business, and it will reflect to an increasing degree the state of industrial activity not only at home but for the world at large. If, as currently expected, the recovery of business in this country and abroad, proceeds at a moderate pace during 1931, so also will the prosperity of leading steel companies advance in similar tempo.

The Markets' Next Move

(*Continued from page* 473)

in the offing, with the financing program of the Treasury clouded by discussions of proposals for cashing of service bonuses. The proper distribution and digestion of securities issued during the late bull market requires a certain period of freedom from the pressure of new financing. What the security markets need here as much as anything else is a good rest and an opportunity to build a solid foundation for ultimate price improvement. It is by no means certain that the markets will get this much-needed breathing spell, and until this tendency toward large supplies of new issues for the investment markets to carry becomes a little more clearly defined one way or the other, caution in the stock market would seem to be the conservative course. It is recognized that the character of the stock market has changed since the turn of the year and that the force of the decline is being dissipated in the current irregularity of the market. But with the prospect of lower prices before the advance gets under way, it would be advisable for investors to hold themselves in preparedness for the buying opportunities that would be uncovered by a February break.

"Tips" on Books

Book Review Section of

The Magazine of Wall Street

THE RING OF THE LOWENSKOLDS

By Selma Lagerlöf

Doubleday, Doran & Co., Inc.

IN 1909, Selma Lagerlöf, was awarded the Nobel prize in literature, the first woman to be so honored. That she has not been content to rest on her laurels is well evidenced by her work of the last decade—three novels now brought together in one volume under the title *The Ring of the Löwenskölds*. This saga of the Löwenskölds is a tale of predestination, not, however, the predestination which ends only in tragedy, but which brings its share of romance as well.

In *The General's Ring*, the first of the trilogy, an emerald ring, presented to old General Löwensköld by Charles II, is stolen from his grave. A curse pursues the possessor of the jewel down through the ages, manifesting itself sometimes in death and sometimes in unhappiness and insanity—for there can be no question that Karl Arthur was insane. At least it is hard to conceive of a normal person in his right mind being so piqued at the supposed frivolities of his betrothed as to rush out in the streets and throw himself at the feet of the first woman he meets, or to be so under the spell of a choir singer, ugly not only in feature but in mind, that his thoughts scatter and his words tumble about the moment his eyes fall upon her. Charlotte's unhappiness in losing him to the peasant girl, Anna Svärd, was small compared to what she would have suffered had she married him.

Many of Miss Lagerlöf's characters have a fictional rather than real quality in contrast to those of Sigrid Undset, Norway's Nobel prize winner and author of that other admirable trilogy *Kristin Lavransdatter*. But what she loses in characterization she gains in the art of story telling, and the public is the richer for their recording.

SUCCESSFUL SPECULATION IN COMMON STOCKS

By William Law

Whittlesey House, McGraw-Hill Book Co., Inc.

IT is not often that character protrudes through the pages of a technical treatise, but when it does the discussion is lifted from the realm of worthy but dull material and raised to the level of being enjoyable as well as instructive.

William Law, which the publishers state is a pseudonym for a leading financial executive, may hide his light under a fictitious name, but he does not mince words in disagreeing with those statisticians and financiers who consider common stock a safe investment. He has a wholesome regard for common stock but as a speculation only, and, as such, not to be played with by the man who has not safely put by a nest-egg of bonds or otherwise protected his family against loss.

If a man is to speculate (and Mr. Law does not underrate the possible profits accruing thereby), he might just as well know the rules of the game. There are few books explaining them more clearly than "*Successful Speculation in Common Stocks.*" Here are explained the technique of margin trading, chart and tape reading, the effect of business and credit conditions upon the market, and many things simple in themselves but puzzling to the uninitiated trader who may wonder, for instance, what occasions some of the charges on his broker's statement.

While the book explains in a very clear fashion facts essential to any understanding of the market, it is by no means merely a primer for beginners. Many who know the principles of trading could profit by reading the discussion of the various groups of stocks such as the utilities, the rails, and the many types of industrials.

Some may not agree with Mr. Law's theories (it is usually easy to disagree with a very positive man), but, at any rate, they are well worth knowing about.

R. J. Reynolds Tobacco

(*Continued from page* 497)

cigarette consumption the net result would be that the companies, while still retaining their respective positions, would earn less by the increase in advertising appropriations. Despite there being some danger in this possibility, it is yet only fair to assume that management in this industry, having proved itself equal to all situations in the past, will not permit itself to be inveigled into an unprofitable controversy with the "law of diminishing returns."

The danger of a price war would appear to be even more remote, as the present margin of profit is so small that no company can afford to materially reduce it. It will be remembered that this was tried in 1928 and 1929, but the large companies, being fairly evenly matched as regards resources, soon realized the futility of beggaring themselves. The present wholesale list price for cigarettes is $6.40 per thousand, which is subject to discounts of 10% and 2%, leaving a net to the manufacturer of $5.64. Of this sum the government takes $3 in taxes and out of the remainder present advertising requirements probably account for nearly $0.39. This then leaves but $2.25 per thousand out of which must come tobacco, paper, costs of manufacture and the company's profit. Should the list price be reduced to $6 as was recently done, absolute net to the manufacturer works out at $1.90 per thousand, a reduction of 15½% in the profit margin. If these conditions had obtained during 1930 it would have meant that Reynolds would not have earned its current dividend.

Excluding then the remote possibility of unprofitable advertising expenditures or a price war, the outlook for the large tobacco companies is distinctly favorable, although earnings may not grow in the future with the same rapidity as they have in the past. All things considered, R. J. Reynolds Tobacco Co. currently appears to be selling on a favorable basis in relation to past record, excellent standing and management and is distinctly deserving of notice on the part of the prospective investor when the uptrend of the market becomes definitely established.

Important Corporation Meetings

Company	Specification	Date of Meeting
Adams Express Co.	Dividend	2-16
American Sugar Refining	Directors	2-11
Best & Co., Inc.	Dividend	2-10
Brooklyn-Manhattan-Transit	Directors	2-16
Canada Dry Ginger Ale, Inc.	Directors	2-16
Chesapeake & Ohio Ry.	Directors	2-17
Chicago & Northwestern Ry.	Directors	2-10
Du Pont (E. I.) de Nemours & Co.	Dividend	2-16
Eastman Kodak Co. of N. J.	Dividend	2-11
Electric Storage Battery	Directors	2-17
Graham-Paige Motors Corp.	Dividend	2-16
Hudson & Manhattan Ry.	Directors	2-12
International Match Corp.	Special	2-18
Jewel Tea Co., Inc.	Directors	2-10
Loew's, Inc.	Directors	2-26
Missouri, Kansas, Texas R. R.	Dividend	2-17
New York Central R. R.	Directors	2-11
N. Y., New Haven & Hart. R. R.	Directors	2-10
Public Service Corp. of N. J.	Dividend	2-17
United Fruit Co.	Dividend	2-10
U. S. Realty & Improvement	Directors	2-13

BUILDING AND LOAN ASSOCIATIONS

Colorado

6½% 5-year Guaranteed Income

SILVER STATE INCOME CERTIFICATES

$100 to $10,000

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Careful investors in 46 states and 11 Nations own our Certificates.

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Colorado's largest Guaranty Capital Association. State supervised.

Co-operative Banks, Homestead Ass'ns and Bldg. & Loan Ass'ns are identical institutions.

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Write for folder "C" today!

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Building and Loan Association
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6% CONTINENTAL SOUTHLAND INVESTMENT SHARES

Dividends payable January and July. Issued upon payment of $500 and up in multiples of $100.—Dividends payable in cash or may accumulate and compound semi-annually.

Established 1916. Dividends distributed to shareholders, more than $4,000,000.

Assets more than $10,000,000

Permanent Capital and Reserves $465,000

Write for full information and financial statement

CONTINENTAL SOUTHLAND
SAVINGS & LOAN ASSOCIATION
G. A. McGregor, V. Pres. & Sec'y.
1400 Main Street, Dallas, Texas

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Double your money in 12 years with Safety

New issue of Progressive 6% Coupon Shares, dividends payable semi-annually. At this rate $1,000 grows to $2,000 in 12 years. Deposits as low as $5.00 monthly accepted. Under supervision of State Banking Dept. Write for full details and financial statement.

Progressive Bldg. & Loan Assn.
83 Monroe Ave. Memphis, Tenn.

Missouri

THE Farm and Home Savings and Loan Association of Missouri, with assets of over $55,000,000 and reserves of over $10,500,000, has a plan to offer for temporary investment of reserve funds that are being held for revival of greater business, yielding a minimum of five per cent, with availability of funds upon thirty days' notice in sums of $200,000 or less to any individual or firm, and larger amounts upon terms and conditions that may be agreed upon between the applicant and our Board of Directors.

There are many millions, even billions, of funds lying idle, which if put to work in building and loan associations for loans on construction of new homes, would go far towards helping the present idle labor situation. Every dollar so loaned will have a buying power of at least ten dollars per month.

We especially point with pride to our 37 years of successful service and performance during economic changes, and that at no time has there been fluctuation of values in money placed with us.

Our moneys are loaned on first mortgages on real estate and our members' certificates of stock, ninety per cent of which is loaned on homes. We have no farm loans. Our moneys are loaned in the cities of two States.

The building and loan associations of the United States have been proven fundamentally sound, and afford the highest degree of safety. With a small beginning one hundred years ago, the total assets are now nearly nine billion dollars.

We court investigation.

FARM AND HOME SAVINGS AND LOAN ASSOCIATION OF MISSOURI
NEVADA, MISSOURI

Texas

7% NOW BEING PAID ON TERM INVESTMENTS

Conservative—dependable. Established in 1901. Capital and surplus, $4,500,000.

Nineteenth semi-annual dividend Jan. 1, 1931. Total for 1930, $389,682.75.

Reference, any bank in Fort Worth.

Investment plan for every need.

Literature on request.

Tarrant County
Building & Loan Association
UNDER SUPERVISION OF THE STATE BANKING DEPARTMENT
711 MAIN STREET
CAPITAL AND SURPLUS $4,500,000.00
FORT WORTH, TEXAS

7% FULL PAID SHARES

Earnings Paid Semi-Annually in Cash

Assets Over $3,250,000

Security Building & Loan Ass'n
201 Broadway
SAN ANTONIO, TEXAS

Texas

6% FULLY PAID CERTIFICATES

Payable by check January 1st, and July 1st. No coupons to bother with.

Installment and Prepaid Shares are fully participating and have never paid less than 7%.

A conservatively managed Association.

Solicits only investments to one person of $100.00 to $2500 in lump sums. Installment shares from $1.00 to $100.00 per month.

Loans are made only on homes occupied by the owner, of not less than $500.00 and not more than $7500.00. The average at this time being $2407.00.

Located in El Paso, Texas, and makes loans only in West Texas, where real estate values are conservative.

Under supervision of Banking Commissioner.

Write for literature and financial statement.

PEOPLES BUILDING & LOAN ASSOCIATION

Resources over $3,400,000

108 Texas Street El Paso, Texas

BUILDING AND LOAN ASSOCIATIONS

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Saving systematically is one reason why so many people are financially successful. You too can "get the habit" of saving regularly by subscribing to our monthly installment shares. Write for descriptive literature and convince yourself.

SERIAL BUILDING LOAN and SAVINGS INSTITUTION
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Our Dividend Rates are 6% or 8%

Full paid certificates yield 6%. Installment shares yield 6% or 8% depending on the type selected.

Write for full particulars

HOUSTON BUILDING AND LOAN ASSN.
Houston, Texas

Assets Over $7,000,000

Florida

Home Building and Loan Co.

16 and 18 Laura Street
JACKSONVILLE, FLORIDA

ASSETS $2,840,133.91

Each quarter since organization in 1921 this Company has earned and paid dividends at the yearly rate of not less than

7%

Full Information on Request

FINANCIAL NOTICES

Dividends and Interest

Childs

The Nation's Host - From Coast to Coast

DIVIDEND NOTICE

The Board of Directors of Childs Company has declared the following cash dividends, payable March 10, 1931, to stockholders of record at the close of business, 3 P. M., February 20, 1931.

On the preferred stock, a quarterly dividend of 1¾%.

On the no par value common stock, a dividend of 60c per share.

The stock transfer books will remain open.

L. E. BUSWELL, *Secretary*
200 Fifth Avenue
New York

INTERNATIONAL RAILWAYS OF CENTRAL AMERICA

The Directors of the International Railways of Central America have declared a quarterly dividend of one and one-quarter of one per cent (1¼%) on the Preferred Stock of that Company, payable February 16, 1931, to Preferred Stockholders of record at the close of business on January 31, 1931.

FRANK I. TENNYSON, *Treasurer*,
11 Broadway, New York, N. Y.

Dividends and Interest

GEORGE A. FULLER COMPANY

57th ST. and MADISON AVE.
NEW YORK CITY

At a meeting held today, the Directors of this company declared the regular quarterly dividend of one dollar and fifty cents ($1.50) and a participating dividend, in accordance with the provisions of the Certificate of Incorporation of the Company, as amended, based upon the fiscal year ended December 31st, 1930, of one dollar and eleven cents ($1.11) per share, on each share of its Cumulative and Participating Prior Preferred stock, issued and outstanding, which dividends are payable on April 1st, 1931, to stockholders of record at the close of business on March 10th, 1931; and also declared the regular quarterly dividend of one dollar and fifty cents ($1.50) and a participating dividend, in accordance with the provisions of the Certificate of Incorporation of the Company, as amended, based upon the fiscal year ended December 31st, 1930, of seventy-seven cents ($.77) per share, on each share of its Cumulative and Participating Second Preference stock, issued and outstanding, which dividends are payable on April 1st, 1931, to stockholders of record at the close of business on March 10th, 1931.

B. M. FELLOWS, Treasurer.
Dated, New York, January 19th, 1931.

LOEW'S INCORPORATED

"THEATRES EVERYWHERE"

January 26, 1931

THE Board of Directors of Loew's Incorporated has declared a quarterly dividend of $1.62½ per share on the outstanding $6.50 Cumulative Preferred Stock of this Company, payable on the 16th day of February, 1931 to stockholders of record at the close of business on the 30th day of January, 1931. Checks will be mailed.

DAVID BERNSTEIN
Vice President & Treasurer

THE CITY ICE AND FUEL COMPANY OF CLEVELAND

Directors of The City Ice and Fuel Company have declared the regular quarterly dividend of 1¾ per cent on the 6½ per cent preferred stock, payable March 2, 1931 and 90¢ per share on the no par common stock, payable February 28, 1931, to stockholders respectively of record February 14, 1931.

Dividends and Interest

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

PREFERRED DIVIDEND
COMMON DIVIDEND

A dividend of $1.75 per share on the Preferred Stock, being the eighth quarterly dividend, has been declared payable February 28, 1931, to stockholders of record at close of business February 14, 1931.

A dividend of 25¢ per share on the Common Stock, being the eighth quarterly dividend, has been declared payable March 31, 1931, to stockholders of record at close of business March 11, 1931.

Transfer books will not be closed.

ROLLAND J. HAMILTON
Secretary and Treasurer

Borden's

COMMON DIVIDEND No. 84

A quarterly dividend of seventy-five cents (75¢) per share has been declared on the outstanding common stock of this Company, payable March 2, 1931, to stockholders of record at the close of business February 14, 1931. Checks will be mailed.

The Borden Company
WM. P. MARSH, *Treasurer*.

International Agricultural Corporation

New York, January 27, 1931.

The Board of Directors has this day declared a regular quarterly dividend of one and three-quarters per cent. (1¾%) on the Prior Preference Stock of the Corporation, payable March 2nd, 1931, to stockholders of record at the close of business February 14th, 1931. Books will not close.

CHARLES J. COTTEE,
Treasurer.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distributing descriptive circular on all the Standard Oil issues. (219).

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to both large and small investors. (225).

FOR INCOME BUILDERS
The booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

INDUSTRIAL BANKING—ITS CONTRIBUTION TO MODERN BUSINESS
Every investor should read this important analysis of a branch of the banking industry in which safe and profitable investments are made. Send for booklet 684.

PRUDENCE-BONDS FOR PRUDENT PEOPLE
A brief description of how Prudence-Bonds are secured by conservative first mortgages on income producing properties and guaranteed by over $16,500,000 of the Prudence Company's capital, surplus and reserves. Its message is short, but its benefits are long. Ask for 691.

ENJOY MONEY
is the title of a booklet issued by Investors' Syndicate. If you are interested in some day enjoying your money, send today for your complimentary copy giving you sound suggestions as to how you can accumulate wealth. (731).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at moderate cost. Write for descriptive circular. (752).

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. Current weekly edition and full particulars sent without obligation. (783).

TRADING METHODS
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